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FINANCIAL TIMES

MONDAY SEPTEMBER 13 1993

Palestinians step up action as Arafat and Rabin fly to sign historic pact

California tax law likely to appease foreign companies

Californian tax legislation passed at the weekend is expected to end the threat of British action against Californian-based companies operating in the UK. The new law is thought to remove the main remaining objections of foreign-owned companies to the state's tax system, which they argue has discriminated against them, and allow them to choose an alternative system of assessment

known as "water's edge".

California's unitary system taxes a company
on a percentage of its worldwide income, rather than on income earned in the state, and can lead to foreign companies being taxed twice on the same income. Page 16

German coalition in dispute: The stability of Germany's ruling coalition was threatened after a dispute over who pays for the latest addition to the country's generous social security system nursing care for the elderly and handicapped. Page 16; Parties find their candidates, Page 3

Nato pians Bosnia peace force: Nato is developing a pian to send about 50,000 peacekeeping troops to Bosnia, up to half of them Americans, if agreement is reached to end the civil war, US defence secretary Les Aspin said. Page 5

Victory for Left expected in Norway: Norwegians today vote in a general election which is expected to see the ruling Labour party led by Gro Harlem Brundtland re-elected. Page 16; Out in the cold on a hot debate, Page 14

European Monetary System: The exchange rate mechanism grid looks more relaxed at the start of the week, despite the pressure on the non-D-Mark currencies that followed last week's wave of interest rate cuts. Some 8,72 percentage points divide the strongest currency, the Dutch guilder, from the weakest, the Danish krone. That is just over half the 15 percentage point divergence allowed by the new bands. The Belgian franc recovered sharply against the D-Mark on Friday, and has leapfrogged the French franc into third place from bottom. Currencies, Page 29; Lex. Page 16

EMS: Gild September 10: 1993



The chart shows the member currencies of the weakest currency in the system. After the reform of the exchange rate mechanism on August 2, 1993, one member currency can rise against another by as much as 15 percentage points in the system's grid. The exception is the divergence between the D-Mark and the Dutch guilder, which remain tied to each other in o 2.25 per cent band.

Tokyo draws up emergency package: The new Japanese government is expected on Thursday to unveil an emergency economic stimulation package worth up to Y5,000bn (\$47bn), the second such package this year. A Y13,200hn public spending plan was adopted by the former LDP government in April. Page 6

British Steel may pull out of a plan to restructure the EC steel industry unless the European Commission takes tougher action to curb state subsidies. Page 17; Lex, Page 16

EC bank deposits deal: EC finance ministers are ready to override German objections and agree a new Community-wide bank deposit guarantee scheme, which would raise the level of minimum protection to Ecu20,000 (\$23,600) and would allow similar arrangements to raise cover for investors in stocks and shares. Page 4

Ontario Hydro, one of North America's biggest power utilities, is preparing for a partial privatisa-tion; the Toronto-based utility currently relies entirely on debt financing, and has amassed borrowings of more than C\$34bn (\$26bn). Page 17

India to lift S Africa sanctions: India, a founder of the international anti-apartheid move-ment, will lift trade sanctions against South Africa this month and may establish diplomatic ties with Pretoria soon, said a government minister.

OMV, troubled Austrian integrated oil and chemicals group, reported a first-half operating loss of Sch552m (\$49m) after a loss of Sch584m year on year. Page 20

St Petersburg bank venture: Dresdner Bank and Banque Nationale de Paris have opened a joint subsidiary in St Petersburg in the first inauguration of a bank wholly-owned by foreigners in Russia since 1917. Page 20

Peregrine Investments, Hong Kong-listed pan-Asian securities business, has been disciplined by the colony's stock market regulators for misconduct concerning three flotations handled by the company. Page 20

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اها د اوران محمد 4 64 10 Banker faces bribe charges: Ewan Launder, the former head of Hongkong and Shanghai Banking's merchant banking arm, Wardley, who was arrested on Friday in the UK in connection with the collapse of the Carrian empire in 1983, is facing extradition to Hong Kong on charges of accepting HK\$45m £3.8m (\$5.85m) in personal hribes from Carrian group companies. Page 6

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Israel and Gaza hit by

hard Greenbury of Marks and Spencer opens a new management series, Page 12

clashes over peace deal

By Julian Ozanne in the Gaza Strip

BLOODY clashes crupted in the Gaza Strip and Israel yesterday as Palestinians opposing the his-toric peace agreement, due to be signed today in Washington.

stepped up their violent protests. At least eight people died as one of the worst days of Arab-Israeli clashes in recent years attended the departure of Mr Yitzhak Rabin, Israel's prime minister, and Mr Yassir Arafat, the Palestine Liberation Organisation leader, who flew to the US to witness the signing of an historic Israeli-Palestinian peace agree-

The violence has exposed the deep divisions within the Palestinian community over the deal, which may threaten the stability of the peace process.

The disturbances, fuelled by Islamic fundamentalism, reflect the widening rift among Palestinians over the agreement inside the occupied territories and within the PLO itself.
Hours before Mr Rahin left

Jerusalem, three Israeli soldiers were shot dead in Gaza hy Islamic fundamentalists opposed to peace with Israel. The military wing of Hamas, the Islamic Resisvowed to keep up the armed struggle against "Zionists", claimed responsibility for the amhush on an army jeep, in which the attackers made off

Fundamentalist threat Page 2 Now the hard part

with two rifles. Scores of heavily armed border police and soldiers barricaded roads and sealed off areas of Gaza city yesterday during a fruitless hunt for the killers.

In other incidents in Gaza, three rejectionist Arabs were killed, hringing the weekend Palestinian death toll to at least five after emotional demonstrations across the territories in favour aswell as against the peace deal. in Israel, an Arab stabbed to death an Israeli hus driver and

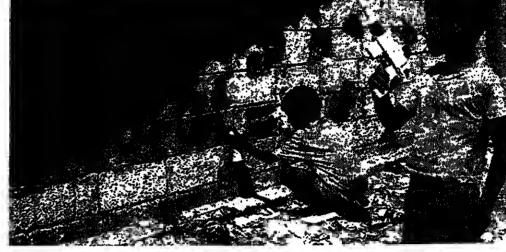
was then sbot dead by a soldier on a bus travelling between Ashdod and Ashkelon. Unrest in the territories has been ignited by angry denuncia-

tions from Palestinian factions

abroad and by resignations from

Ten Damascus-based Palestinian factions, including the Popular Front for the Liberation of Palestine and the leftist Democratic Front for the Liberation of Palestine, have vowed to sabotage the accord. Iranian-backed fundamentalist groups in the ter-ritories and in Lehanon have joined secular political organisations in denouncing the agreement and trying to forge a hroad

front against lt. The opposition has, however, pledged not battle against Pales-



tinians but to intensify the onslaught against Israelis and Jewisb settlers.

In Ramallah, on the west Bank, Israeli soldiers shot dead two PFLP supporters.

Rejectionist Palestinians say the peace agreement falis far short of Palestinian demands for an independent state, control over occupied Arah east Jerusalem and the right of return of thousands of Palestinians exiled during the 46-year Arab-Israeli conflict. They have called for a general strike throughout the occupied territories today to pro-

test against the signing. in southern Lebanon, a bomb exploded in near an Israeli army patrol, prompting an Israeli armoured force to sweep the valley and nearhy hills with

machine gun fire. As he left north Africa, Mr Arafat's moderate Fatah group was under severe criticism from hardline Arah groups, but he defended the accord as a step on the road to the establishment of a

Palestinian state.
Mr Arafat, speaking as he boarded a flight to Washington, a city he has never visited, said: "It is a historical, very important moment, and it is a step on the right road leading to a Palestin-lan state.

Yassir Arafat leaves Tunis for Washington to sign the peace deal

This announcement appears as a matter of record only

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Arab Banking Corporation (B.S.C.)

Banco di Napoli International S.A. Banco di Sicilia SpA

National Westminster Bank Pic

Banca Popolare di Novara

Credito Romagnolo SpA

EC envoy to test US stance on trade talks

By Llonel Barber in Bilzen and

5IR LEON BRITTAN, the EC's chief trade negotiator, will today test whether the Clinton administration can offer new flexibility in the Gatt talks amid signs that the French campaign to re-exam-ine the Blair House farm trade accord is making headway.

European Community foreign ministers are hoping Sir Leon can persuade his US counterparts to allow "clarification" of certain aspects of the Blair House agreemeot, while avoiding a formal

renegotiation.
The delicate task of mollifying France while avoiding a further political crisis within the Community dominated two days of informal talks in Bilzen, east Bel-

gium, which ended yesterday. Mr Jacques Delors, president of the European Commission, said France had "psychological" difficulties with Blair House. He described French threats to veto the draft US-EC farm trade accord as "deadly serious". Mr Douglas Hurd, UK foreign

said plans for an EC summit on October 29 to celebrate ratificatioo of the Maastricht treaty might fail if the Community did not resolve internal disputes over

the farm trade accord. Sir Leon, who attended the Saturday session, will meet Mr Lloyd Bentsen, US treasury sec-retary, and Mr Ron Brown, commerce secretary, on his US tour. His most important talks are scheduled tomorrow, when he holds a one-to-one session with Mr Mickey Kantor, US trade rep-

resentative.

Brussels officials said Sir Leon faced the tricky task of impressing on Mr Kantor the mutual EC/ US interest in securing a Gatt deal, while also exploring whether the administration might he willing to risk the wrath of US farmers and Congress hy offering some concessions to the French on Blair

Mr Alain Juppé, French foreign minister, suggested that Sir Leon should explore whether there is room for manoeuvre on the 21 per cent reduction in the volume of subsidised exports, primarily hy suhtracting humanitarian

Bayerische Vereinsbank AG

Banca Popolare di Milano

Berliner Bank Aktiengesellschaft

Kredietbank S.A. Luxembourgeoise

WestLB Group

Carimonte Bancu SpA

Continued on Page 18

Signing of brief document may end years of conflict

By Mark Nicholson in Washington

At 11am today in Washington, a brief document, to be signed by two old enemies on the south lawn of the White House is intended to mark the end to one of the 20th century's most bitter territorial conflicts.

After 18 months of secret negotiations in isolated farmhouses in Norway, an audience of 2,500 distinguished guests will he on hand to witness Mr Shimon Peres, the Israeli foreign minis- Israel and the PLO took the

ter, and Mr Abn Mazen, a senior Palestine Liberation Organisation official, put their names to the outline Israeli-Palestinian peace agreement

The signing will he witnessed by Mr Yassir Arafat, chairman of the PLO, who flew into Washing ton last night for the first time since 1974, and his old foe Mr Yitzhak Rabin, the Israeli prime minister, who was due to arrive early this morning.

It will cap an extraordinary two weeks which began when

world hy surprise by announcing they were on the the verge of an agreement on mutual recognition and limited Palestinian

In the following days momen tum behind the agreement grew. Mr Rahin faced down opposition from the Israeli right wing, while last week Mr Arafat won the support of the PLO's executive council. On Friday the two leaders exchanged letters to seal the recognition agreement

Cootinued on Page 16

News Corp sells Hong Kong newspaper stake for \$349m

By Simon Davies in Hong Kong MR Rupert Murdoch's News

Corporation yesterday finalised a long-awaited agreement to sell 34.9 per cent of the South China Morning Post, Hong Kong's main English-language newspaper, to Mr Robert Kuok, the Malaysianborn billionaire.

The deal - valued at \$349m (£226.6m) - places one of Hong Kong's leading newspaper groups in the bands of an influential Asian husinessman who is well known for his pro-China sympa-

Mr Stephen Brown, director of HG Asia, one of the biggest local stockbrokers, said: "I cannot read anything but politics, and the hig hand of Beijing, in this deal." Mr Kuok has no previous experience of investment in newspapers.

There is little doubt in Hong Kong the Chinese government will be pleased to see a corporate ally taking effective control of

The SCMP shares are being sold at about HK\$5.18 (£0.44) a share, against the last traded price of HK\$5.35. Mr Murdoch will retain a 15.1 per cent stake in

SCMP is Hong Kong's oldest remaining newspaper and is one of the most profitable newspapers in the world. News Corp Murdoch will have made more than HK\$5bn profit from a HK\$2.4bn investment.

The capital raised from the latest sale will cover 66 per cent of that Straits Press may acquire the acquisition cost of Hong Kong-based satellite broadcaster Star TV, purchased by Mr Murdoch in July for US\$525m.

doch's focus from print to electronic media. what is arguably Hong Kong's The purchasing company is

Kerry Media, an associate of Mr Kuok's Hong Kong flagship com-pany Kerry Group; the remainder of Kerry Media is owned by other Kuok-cootrolled companies. By buying a stake below 35 per cent, Mr Kuok avoids having to make

a general offer for the company. It had been expected that there would be some Singaporean involvement in the deal. Straits purchased the company in 1987; assuming the remaining 15 per cent is sold at current prices, Mr

Press and United Overseas Bank already own 14 per cent of SCMP and any further purchases in concert with Mr Kuok would have triggered an offer for the entire company.

This will raise expectations part of Mr Murdoch's remaining interest in the company.

The Singaporean newspaper publisher is anxious to huild np In Hong Kong, the two transactions are widely interpreted as and would be a useful partner for its regional publishing interests showing a switch in Mr Mur- Mr Kuok, given his lack of media expertise.

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LONDON - PARIS - FRANKFURT - NEW YORK - TOKYO

Hamas and other groups will lead Palestinian objections to Arafat's deal with Israel Hospitals fill

Fundamentalists from the shanty towns up as protests

occupied Gaza Strip

A SEA of hohbing girls wearing white embroidered Jahabs - Islamic head scarves - pours into the pot-holed, sew-age-ridden streets of Khan Younis, a dirty shanty town in the Gaza Strip, in the midday heat, beneath their hlue and white striped uniforms, the schoolgirls wear dark trousers down to their ankles.

They are the only picturesque sight in the dreary and impoverished town, a stronghold of Islamic fundamentalist groups such as Hamas and Islamic Jihad which reject peace with Israel and could violently threaten the peace agreement to he signed in Washington today.

Although it is impossible to estimate accurately their strength, experts say Islamic fundamentalists and supporters of other Palestinian organisations which reject the agreement command support among about 40 per cent of Gaza's 780,000 residents. Their support in the West Bank is estimated at 20-25 per cent.

Their emotional nationalistic rhetoric, appeal to Islamic conviction and considerabla potential for violence present the Palestine Liberation Organisation, poised to take control of Gaza, with a formidable challenge. Much will depend on how the PLO and, more impor-tant, Mr Yassir Arafat's Fatah faction deal with the rejections on assuming power. Any crackdown on Islamic fundamentalist dissent will raise the prosserious inter-Palestinian conflict.

Graffiti staining almost all the walls of Khan Younis proclaims solidarity with the martyrs of the pro-Iranian Hizbollah guerrilla movement lu Lebanon and claims credit for the deaths of Israeli soldiers in

the occupied territories.
The residents of Khan Younis are also proud that theirs is the home town of Mr Ahdul Aziz al-Rantisi, the leader of the 415 Islamic activists deported by Israel to Lebanon last December.

Over the years Gaza has become a deeply Islamic society. It is extremely rare to see a woman in the street who is not covered head to toe. Alcohol is strictly prohibited. Smoking in public is frowned on. Most Gazans say they are proud to live a life based on the strict principles of the

Koran. Of all the "rejectionist groups" opposed to the peace agreement, the strongest is the Islamic Resistance Movement, known as Hamas, an acronym which literally means zeal. Az a-Din al-Kassam, Hamas' poorly equipped military wing, is named after a Palestinian martyr who launched a Jihad holy war – against British imperialism and Jewish settlement in Palestine in the 1930s. Hamas' charter calls for the annihilation of the Jewish state by armed struggle, the liberation of the entire Islamic lands of Palestine and the establishment of an Islamic state based on Sharla Koranic

Since the announcement of the peace agreement Hamas, a secretive underground organisation, has strongly condemned the accord, saying it falls far short of Palestinian demands for statehood, a right of return for Palestinian refugees and control over occupied Arab East Jerusalem - site of the Dome of the Rock mosque, Islam's third holiest shrine. Their leaflets accuse Mr Arafat of "conniving with the Zionist enemy in a conspiracy" against the Palestinian people. They have mounted demonstrations across the West Bank and Gaza Strip but so far they have ruled out violence against the PLO or the possibility of civil war.

The youth want to fight but It is not the policy of Hamas," says a lecturer at the Islamic University of Gaza. "There will not be a civil war among Palestinian because for now we accept dialogue and democracy. The leadership will make the decisions according to Sharia and the soldiers of Hamas will follow instructions."

Hamas is waiting to see how the agreement will be implemented and received. The Islamic Jihad movement in Palestine, closely aligned to Hamas, has gone further. Mr



Residents wheel hicycles past the Municipal Building in the centre of Jericho, in the occupied West Bank. The building has been decorated with pictures of Palestine Liberation Organisation leader Yassir Arafat.

Fatehi Shukaki, its exiled commander, said last week the accord was "against the Koran, against Islamic law... We will continue our struggle through intifada [Palestinian uprising]. through armed struggle and through other means." Other rejectionist groups have called for Mr Arafat's bead.

Hamas has been growing in strength over the past decade thriving in Gaza's impoverished refugea camps and among youths discontented with corruption in the PLO exiled leadership and with lack of progress in the peace talks. At first the organisation was tolerated by Israel as a counterweight to Fatah, hut was later banned and went underground.
It has drawn its greatest sup-

port from a programme of Islamic education and welfare run hy its social wing, the Islamic Society. This distributes arms to the poor and runs

nine kindergartens, Children learn reading, writ-ing and Islam. Behind the school is an Islamic court, equipped with a wooden gavel, where a panel of Islamic scholars, lawyers and community leaders hear and resolve family problems and disputes over inheritance and commerce. Despite Hamas' welfare pro-

gramme Fatah has kept politi-cal control, winning large

majorities in elections to pro-fessional associations. The only body controlled by Hamas is the Islamic University asso-

Many Hamas leaders know they have a lot to lose by con-fronting Fatah. Without a strong Arah country behind them, it would be difficult to mount a united challenge. They are also strongly wedded to the democratic principles embedded in many Islamic fundamentalist movements.

Mr Abdul-Rahman Hamad, one of the most senior Fatah leaders in Gaza, says: "We will not use force against Hamas and they will either lose their support or participate in elections, which means they accept the agreement." If Mr Hamad is right Hamas, like the Moslem brotherhood in Egypt, could emerge as an

acceptable political party. However, if Fatah hardliners pursue threats to repress Hamas, a violent backlash will be inevitable. "If Fatah decides to act like

the Algerian regime and sup-press dissent there will be violent conflict," says Mr Martin Klaimer, an expert on Islamic fundamentalism at Tel Aviv University. "But the conditions are not there for full-scale civil war. It will more likely take the form of clashes and assassi-

hit the streets

Tony Walker is among the wounded in fighting at Ramallah

The scene in the emergency ward of Ramallah Hospital was like the worst days of the intifada, the Palestinian uprising against Israeli rule over the occupied West Bank and

Gaza Strip. Doctors and nurses worked feverishly to save the lives of badly-wounded Palestinians, some of whom had been shot in the abdomen, in the chest, and in the head.

The floor of the casualty station, all uf whose beds and stretchers were occupied, was awash with blood from those shot by Israeli soldiers seeking to control demonstrations that had turned the centre of the Arab West Bank town into a war zone. At least two Palestinians died yesterday and

scores were injured.

A day after israel and the Palestine Liberation Organisation agreed mntual recognition, the mood on the streets of Ramallah, other West Bank towns and in the Gaza Strip was far from peaceful.

In Ramallah, on a sunny day, Palestinians associated with the Islamic fundamentalist Hamas and the militant Popular Front for the Liberation of Palestine fought pitched battles with inngh Israeli border police in streets scarred by nearly six years of conflict since the intifada erupted in December 1987.

The militant Palestinians also clashed in Ramallah and other places with loyalists of Mr Yassir Arafat, the PLO leader, who is under threat of nation after his momentous decision to concinde a peace deal with Israel.

The Ramailah disturbances, in which youths threw rocks and broken bottles, were one of the bloodiest demonstration on a day of violence in areas where militants have their strongholds.

The violence was a warning of the enormous difficulties ahead in efforts to convert agreements on paper into real-

Israelis of the right and the militant settler movement. My own experience in Ramallah, when I was shot in the leg by what I believe was a ricocheting live bullet fired by an Israeli soldier into a crowd of Palestinian demonstrators, was a reminder of the sheer unpredictability of events in the Middle East.

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I had travelled from Jerusalem into the West Bank to sample opinion among influential Palestinians, and on my way back to my hotel I had stopped almost on a whim to observe the Ramallah demonstrations, which were following a pattern familiar to those of us who had reported the intifada from its earliest days. Palestinian youths, some with their heads swathed in keffiyehs, were throwing rocks

towards Israeli soldiers, clad in riot gear and armed with rifles and tear-gas launchers. Suddenly, without warning, there was a fusillade of shots and observers of the scene rushed for cover. It was at that moment that I felt a thud

in my leg. much as if I had been kicked by a male. Fortuitously, two young Palestinians, noticing my plight, helped me into the back seat of a passing taxi which headed through narrow, crowded streets of the old Arah town towards a nearby hospital.

At the Ramaliah Hospital. where I had gone several times before as an observer during the early days of the intifada, I was greeted by chaotic scenes as cars and ambulances disgorged the wonnded intn a tiny casualty station, filled to overflowing.

While there, I saw at least one dead Palestinian carted away from the emergency ward with mourning friends and relatives chanting "Allahn Akhbar, Allahn Akhbar" -"God is great, God is great".

My experience on Saturday was hnt a microcosm of what has been happening in the ity on the ground.

Opposition to the peace accord hurns fiercely in the hearts of many Palestinians, no less than it does among

Timetable for the peace process

Septembar 13: Declaration of Principles (DOP) signed in Washington. ☐ October 13: DOP comes

into force. Juint Israeli-Pal-

estinian Liaison Committee formad to implament tha DOP. ☐ By Decembar 13: Israal and Palestinians agree pro-

tocol on withdrawal of Israeli forces from Gaza Strip and Jericho. Israel immediately begins accelerated military withdrawal. ☐ By April 13 1994: Israal

will complete military withdrawal from Gaza and Jericho. laraal immadlataly transfers powers to numi-nated Palestinian authority. Countdown of the five-year period of interim self-government to a permanent settle-

By July 13 1994: Palestinian elections, which are to be followed by inauguration of a Palestinian Council and the dissulution of Israali military-run civil administration in the occupied territo-□ By February 13 1996:

Israel and Palestinians commence negotiations on permanent settlement. ☐ By February 13 1999: Permanant aettlemant cumes

PLO riven by most serious split yet

Opposition groups are seeking to thwart the accord, writes Lamis Andoni

ON THE EVE of the signing of a historic accord with Israel, the Palestine Liberation Organisation is suffering from the most serious split since its inception.

Opposition to the agreement with Israel is mounting, both inside and outside the PLO. The opposition, which now

includes more than 10 groups ranging from the Islamic resistance movement. Hamas, to the leftist Democratic Front for the Liberation of Palestine DFLP and the Popular Front of Palestine (PFLP), is seeking to form a broad alliance to thwart the accord.

The opposition has, however, pledged not to resort to vioience against the future Palestinian autonomy authority, although it has not decided yet if it should form an alternative organisation challenging the legitimacy of the PLO.

Over the last three weeks Mr Mohammed Darlsh, an inde-pendent, Shafiq al Hoot, PLO representative in Lahanon, Abdullah Hourani, an Independent, Taysir Khaled of the DFLP, and Abdul Rahmin-Malloul of the PFLP have resigned from the PLO executive committee as demonstrations against Mr Arafat continued in the refugee camps in Jordan and Lebanon.

As a result of the resignations the 18-member PLO execconfined to Fatah, the mainstream movement led by Mr Arafat, and the Palestine People's party (the former communists), a group that has sizeable influence in the Israali occupied West Bank and the Gaza Strip.

But even Fatah, which remains dominant inside and outside the occupied territories, has been inflicted by divisions over peace with Israel.
Three of the co-founders of tha movement, including the PLO foreign minister Farouk Al Kadoumi, who has historically been closer to the left, and the two brothers Khaled and Hani Al Hassan, who are ideologi-cally associated with the right, have publicly contested the terms of Mr Arafat's agree-

ment with Israel. PLO executive committee member Suleiman Najab, who voted in favour of the peace agreement last week, said yesterday he saw no need to rush into signing it in Washington, as Mr Arafat has done.

"We should first secure Arah agreement and hacking through an emergency summit. This would be more in harmony with our pan-Arab commitments and with agreements we have made with our Arah brothers," he said in a statement.

"We should also hava obtained the approval of the PLO central council before signing It," he added. The PLO plans to call a meeting of the 100-member council to ratify the agreement after the signing ceremony in Washing-

Opposition within Fatah is particularly strong in Jordan and Lebanon, where former fighters in the movement feel betrayed by the leadership commitment to prevent acts of violence against the Israeli occupation forces.

According to Fatah sources, least 180 former fighters based in Jordan - have refused to join the new Palestinian police force Mr Arafst is to form as part of arrange-ments for the Palestinian autonomy.

"We are ready to serve in nationalist police force in an independent Palestinian state but not to be tools to suppress our people's resistance against the Israeli occupation," said a Fatah fighter, who has been a member in the movement for the last 16 years, on condition of anonymity.

Such fears were cited by senior PLO officials who resigned from the top level decision-making body. "This agreement transforms

the Palestinian autonomy authority into a repression apparatus against our people in favour of Israel," said Abdullah Hourani, the Istest



Yassir Arafat: other founders of the PLO have contested the terms of his agreement with Israel

from the executive committee, ing security co-operation in reference to provisions in between Israel and the Pales-

EC will invite Arafat for talks

By Lionel Barber in Bilzen

THE EG will today invite Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, to Brussels to discuss economic reconstruction in the occupied territories as part of a wide-ranging political dialogue with the PLO leader.

EC foreign ministers, meeting in eastern Belgium, also gave a warm welcome to European Commission proposals to double assistance to the occupied territories to Ecu500m (£383m) over the next five

The Commission is to invite Israeli and Palestinian experts to come separately to Brussels to discuss how to bolster the economy of the Gaza Strip and West Bank, and to use money to improve health, education and infrastructure in the occupied territories. Mr Jacques Delors, president

of the Commission, and Mr Willy Claes, Belgian foreign minister who chairs the rotating EG presidency, will attend today's ceremony in Washington to sign the peace agree-ment between Israel and the PLO. The invitation to Mr Arafat is likely to be extended after the Washington cere-

Mr Delors appealed to western countries to co-ordinate their aid effort and warned against making loose promises of hundreds of millions of dollars without proper assessment of the occupied territories' capacity to absorb aid. "We have seen what happened with Russia," he said.

The elevation of Mr Arafat forms part of an unfolding EG diplomatic effort aimed at responding to the Israeli-EG peace accord on mutual recognition and self-rule in Gaza and the West Bank town of Jericho.

Ministers yesterday approved a new mandate for the Commission to update a 1975 trade agreement with Israel, while holding out the prospect of aid to other Arab countries such as Jordan, Svria and Lebanon once they complete peace agreements with

The EC also wants an end to the Arah trade boycott of Israeli products, and is likely to press Mr Arafat on this mat-

Pact bars Palestinian rule in Arab east Jerusalem

By Julian Ozanne in Jerusalem

hietoric Israeli-Palestinian peace agreement to be signed at the White House today provides for an interim five-year period of Palestinian self-rule in the occupied West Bank and Gaza Strip. In addition Israeli troops will com-

pletely withdraw from Gaza and an enclave, expected to be about 100 sq km, around the West Bank town of Jericho, giving Palestinian authority in these two areas a fuller meaning.

Once the document, known as the "Declaration of Principles" (DOP), is signed in Washington, several more agreements and protocols will have to be negotiated in the next three months to flesh out the agreement in such areas as elections, policing and the withdrawal of Israeli troops. The DOP will come into force a month

after signing. The text of the DOP, however, and Jericho area. The protocol makes blatantly clear that a "Pales should be concluded and signed tinian Interim Self-Government within three months. Upon the

Authority" will have no jurisdiction over occupied Arab East Jerusalem, Jewish settlements and Israeli nstionals in the occupied territories. and external security arrangements foreign relations and co-operation with neighbouring states during the interim period.

Negotiations on a permanent Israeli-Palestinian settlement based

on United Nations Security Council Resolutions 242 and 338 will begin "as soon as possible but not later than tha beginning of the third year of the interim period". Permanent status negotiations will resolve all the outstanding issues including Jerusalem, refugees, eettlements, security arrangements and borders. The first important protocol which will be negotiated after today's signing, as stated in Annex Two of the

DOP, will provide for the withdrawal of Israeli Forces from the Gaza Strip

"Israel will implement an accelerated and acheduled withdrawal of Israeli military forces...to be completed within a period not exceeding four months." The protocol on withdrawal will include arrangement for:

immediate signing of the protocol

A smooth transition;
The assumption of internal security and public order by the Palestinian police force, consisting of police offices from within the territories and those holding Jordanian or

Egyptian passports;
• A temporary international or foreign presence;

The establishment of a joint Palestinian-Israeli Co-ordination and Co-operation Committee for mutual

security purposes; An economic development and stabilisation programme, including the establishment of an emergency fund to encourage foreign invest-ment and financial and economic

Safe passage of persons and transportstion hetween the Gaza Strip and Jericho; bers, the transfer of powers, and the extent of the executive and legislative authority of the council and a Strip and Jericho:

Co-ordination for border passage between Gaza and Egypt, and Jeri-

cho and Jordan. Israeli forces will withdraw out-side populated areas in the rest of the territories by the eve of Palestinian elections.

Article III of the DOP on elections says direct, free and general elec-tions will be held for a Palestinian Council not later than nine months after the DOP comes into force. Until the elections and the inauguration of the council, Israel will transfer pow-ers to "authorised" Palestinians. The powers transferred to Pales-

tinians will be in education, culture, health, social welfare, direct taxation and tourism, and the Palestinian authority will immediately start to build a Palestinian police force. Article VII says an "Interim Agreement" will specify the structure of the council, the number of its mem-

Palestinian judiciary.
To promote economic growth the

council, upon inauguration, will immediately establish a Palestinian electricity authority, a Caza Sea port authority, a Palestinian development hank, a Palestinian export promo-tion board, a Palestinian environmental authority, a Palestinian land authority and a Palestinian water administration authority.

After the inauguration of the council, the civil administration will be dissolved and the Israeli military government will be withdrawn. A second protocol, provided for in Annex I of the DOP, will have to signed on the "mode and conditions of elections". The annex says Pales-tinians of Jerusalem who live there will have the right to participate in

the elections process. It does not say

whether they will be able to stand in

elections - a key PLO demand. The

annex says the elections protocol will specify the system of elections; agreed supervision and international observation and rules regarding the election campaign and the mass media, including the possibility of licensing a hroadcasting and televi-

sion station.

Article X provides for a joint Israe-li-Palestinian liaison committee to ensure smooth implementation of the DOP and the resolution of disputes between the two sides. Disputes which cannot be settled through the liaison committee will be submitted to an agreed process of conciliation and arbitration. Article XI provides for the immediate establishment of Israeli-Palestinian economic co-operation committee. Article XII says Jordan and Egypt will be invited to join joint Israeli-Palestinian liaison and co-operation committees, including one to "decide the modalities of admission of persons displaced from the West Bank

and Gaza Strip in 1967".

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Hopes of finding joint choice to run for president collapse

Bonn parties choose their candidates

By Judy Dempsey in Berlin

HOPES that Germany's three main political parties would agree on a presidential candidate will collapse today when the governing Christian Democratic Union and the opposition Social Democratic party nominate their own candi-

But Mr Richard von Weizsacker, the outgoing president, said the dispute over his successor, and the presidential office itself, was being used by the political parties in the run-up to next year's federal

Chancellor Helmut Kohl will ask his CDU party conference in Berlin to endorse Mr Steffen Heitmann, the justice minister of the eastern state of Saxony. The choice of Mr Heitmann, 49. reflects Mr Kohl's determination to have as president an easterner, as well as someone who reflects conservative values aimed at attracting the

hard-right wing of the CDU. Mr Heitmann has repeatedly stressed the importance of the role of the nation, security, and a return to traditional family values as a means of consolidating unification. Mr Heitmann was active in the Lutheran church, a focal point of the opposition under communist regimes, and is also seen by Mr Kohl as a man who embodies resistance and integrity, as if to compensate for the weak German resistance during the Nazi period.

By contrast, the Social Democratic party will today endorse Mr Johannes Rau, the current prime minister of North Rhine-Westphalia.

Meanwhile, the Free Democratic party, the junior partner in the governing coalition, has urged Mr Hans-Dietrich Genscher, the former foreign minister, to become its candidate. Mr Genscher has refused but, if public opinion continues to swing in his favour, may not take much more persuading to accept. Mr Kohl would not welcome his former rival as a strong president.

Opinion polls, carried out by the Ennid Institute, show thet 56 per cent of Germans support Mr Genscher, with 67 per cent in the east backing him. Only 5 per cent of Germans support Mr Heitmann. Mr Rau is supported by 26 per cent of Germans, and but by only 14 per cent in the east.

The president is elected by the Federal Convention, a special constitutional body comprising members of the Bundestag, or parliament, and an equal number of members elected by the state parlia-

Of the 1,324 votes, the CDU has 512, the CSU, its sister party 109, the SPD 500, the FDP 114, and the rest 89 votes. The CDU's candidate could lose if the CSU, and the FDP switch

IG Metall plans its pay target

workers will be calling for a... wage rise next year limited to the rate of inflation, plus any increase in productivity, according to Mr Klaus Zwickel, acting leader of IG Metall, the country's largest trade union, Quentin Peel writes.

The move is seen as a clear indication by the union of the because of the downturn in the German economy. But it still falls well short of the employers' insistence on a "zero round" in next year's most important wage round.

· The first indication of the union's position - without any precise figures for either its inflation or productivity estimates - was presented by Mr Zwickel in Frankfurt as a "peace offering" intended to take the heat out of the coming

GERMANY'S engineering pay talks. Formal wage demands have to be drawn up by the end of November.

At the same time, he called for a joint initiative by both workers and employers in the engineering industry, the sector of the German economy hit hardest hy the recession, to demand new government initlatives to counteract rising accelerated programme of infrastructural investment in east Germany.

His plea met a sceptical response from Gesamtmetall, the engineering employers' federation. A spokesman said the industry needed a freeze on costs in the coming year. He said IC Metall still failed to recognise that German wage costs were too high and undermined German competitive-

Mercedes puts France on list for new plant

By John Griffiths

FRANCE was identified by Mercedes-Benz at the weekend as the fourth short-listed production site for the German manufacturer's 200,000 units-ayear small car project. The others are the UK, the Czech Republic and Germany Itself.

The disclosure is certain to intensify rivalry among the short-listed countries to attract one of the most prestigious greenfield projects in the motor industry's recent his-

In the UK "there will be as many bids as there are local authorities that know about it", said a government official. He also suggested the project will need development funding, so will have to go to a selective assistance area".

Senior Department of Trade and Industry officials in London would not comment on what stage the assessment pro-cess had reached and what role the DTI might be playing

However, the Northern Development Corporation, whose area includes the Nissan plant at Sunderland, said it had already responded to a DTI request made last week for details of potentially suitable 250-300-acre sites in its area. The west Midlands, Merseyside and north and south Wales are expected to be among the front-runners in the UK for the

project. Welsh development agency officials were at the weekend shedding no light on their

be encouraged in their own bid for the venture by the recent rapid growth of the motor components industry in Wales and the success of German motor components giant Robert Bosch in establishing a £100m (\$154m) components manufacturing centre in South Wales, and that of Toyota, whose £140m engine plant at Deeside in north Wales has just begun component exports to Japan as well as supplying engines to Toyota's car plant at Burnas-ton in Derbyshire.

That the Mercedes assessment process is still at a very early stage was indicated by apparent surprise in both Paris and Prague that the project might be up for grabs. "German companies have a strate gic interest in the Czech Republic generally, but I have not heard of any discussions on this specific project," a

senior Czech official said. It would not be the first time Mercedes has examined the Czech Republic as a possible production site. It discussed a possible \$250m joint venture with two Czech truck makers earlier this year, but the talks broke down in March.

Spain is likely to be concerned it is not to be included in the short-list. Its low labour costs have attracted significant German and Japanese motor industry investment in recent years. However, it has been olted by warnings from Nissan that its operations need to make sharp productivity and quality improvements.

German health spending winding down

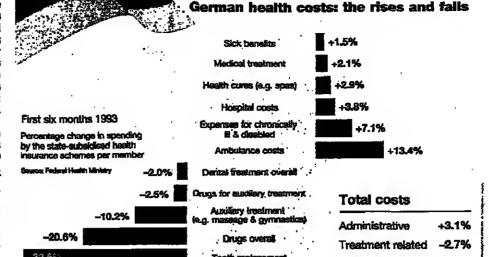
health minister, bore a radiant face when be recently announced that bis six-month-old reforms bad already reversed the insidious trend of seemingly ever-higher health spending. His smile was an achievement in itself for a man who bas made enemies across the German medical profession and pharmaceutical

The state-subsidised health insurance scheme, which offers nearly full health cover to 90 per cent of the population, reported a healthy surplus of DM2.8bn (\$1.6bn) for the period, after a DM9bn loss in 1992. Per-member treatment-related spending has decreased by 2.7 per cent since reforms took effect on January 1, after a 9 per cent increase last year.

Spending dropped as a result of severe budgetary restrictions under the reforms for drugs and treatments. In answer to these, the medical profession prescribed less than in previous years. "We have succeeded in changing the behaviour of everyone involved in the healthcare system," Mr Seehofer said.

Some members of the medical profession welcome the change. "A patient in Germany would never leave his doctor without a prescription before. says Mr Frank Montgomery, from an independent association of doctors."

Ariane Genillard sees insurance reforms working



But the reforms have also sparked bitter complaints from doctors and the drugs industry. Both groups have seen their revenues decline as a result of the ceilings on their fees and say the reforms could undermine the ability of the system to continue to provide state-of-the-art drugs and treatments. According to pharmaceutical associations, the budget ceil-

in pharmacies. Dentists say they are increasingly refusing to treat non-privately insured patients

ings are threatening 20,000 jobs

hecause lower faes do not covar costs.

To cap the rising spending horne by the insurance scheme, which is compulsory only for those who earn less tban DM6,000 a month, the reforms introduced budgetary ceilings equal to 1991 levels of expenditure plus a marginal increase reflecting the yearly average growth in personal income. Heavy financial penalties are incurred if these ceilings are exceeded.

For drugs sold in pharmacies, spending covered by the

health scheme has been limited to DM24bn for the year. Physicians and dentists cribing over this limit are legally obliged to pay up to M280m a year (estimated to

insurance schemes

be 1 per cent of annual doctors fees) from their own pockets. Their medical associations will be charged with examining individual cases of over-prescribing and will impose fees to cover this amount. The pharmaceutical industry must pay the costs of the next DM280m

tranche of over-spending to the

dentists' fees will be automatically reduced if doctors overprescribe, and hospitals will have to open credits to cover over-spending rather than charge the insurance scheme.

he results of the reforms have been immediate. Prescriptions decreased sharply in the first six months. Mr Seehofer hopes tha insurance schemes will save up to DM7bn this year in non-prescribed medicines and treat-

However, retail sales in pharmacies have fallen by 21 per cent for the half year, with pharmacists hitterly protesting. They say their profits could fall by 32 per cent this

While doctors agree that the budgets for medicines are cutting excessive over-prescriptions, they say the ceilings could undermine their own budgeting. With declining profit margins, they fear that lack of investment will undermine the quality of services.

"The reforms are purely monetary and do not address structural change," says Mr Montgomery. "They are in fact destroying existing healthcare structures without creating viable new ones.

Dentists are angered by a series of fees reductions forced on them. These include a 10 per cent prica reduction on crown and bridge work, areas

Sales in the pharmaceutical

industry fell by II per cent from January to June. Moreover, the market share between original products and cheaper generic medicines has changed to the detriment of companies investing in research. Sales of generic medicines rose by 12 per cent in the six mouths.

Mr Walter Wenninger, head of the healthcare division of Bayer, predicts that sales for pharmaceutical groups could drop by 25 per cent this year and asys the reforms clash with the government's aim of securing Germany as a compet itive industrial base.

The medical profession and the industry say further reforms are needed to improve the structures of the healthcare system. They say administrative costs, which have been rising, could be brought under control if more efficiency was introduced in running the sys-

The medical profession also advocates greater participation by the patient in the final health bill. German patients. accustomed to cheap healthcare, must develop an awareness of its cost, they say, Above all, they fear a victorious health minister will increase budgetary restrictions next year or bring in new ones. further threatening revenues

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EC near deal on protecting bank deposits

By Lionel Barber in Bilze

EC FINANCE ministers are poised to override German objections and strike a deal today on a new Communitywide bank deposit guarantee scheme

Agreement on the EC bank deposit directive would raise the level of minimum protection to Ecu20,000 (£15,240), paving the way for similar arrangements to raise cover for investors in stocks and shares.

EC officials believe a qualified majority vote in favour of the bank deposit scheme will be the most concrete result of today's meeting in Brussels. Finance ministers will discuss the recent upheaval in the ERM over lunch, but Brussels diplomats said no decisions are

expected.

"We are still very much on first reactions," said one offi-

The new EC bank directive covers deposits in EC banks denominated in EC currencies and Ecus. Member states would be free to oblige third-country hanks to join the scheme, marking a further step towards completing the single European market.

Germany is expected to oppose the bank deposit guarantee proposals on the grounds that a Community-wide approach could undermine its own scheme which offers virtually unlimited protection to account-holders in the event of

a bank defaulting. Germany is worried that its own privately-managed scheme supervise if it is obliged to accept members from third

Also, German bank branches operating overseas would not be able to benefit from lower standards in other countries because the directive applies only to "topping up" and not lowering protection.

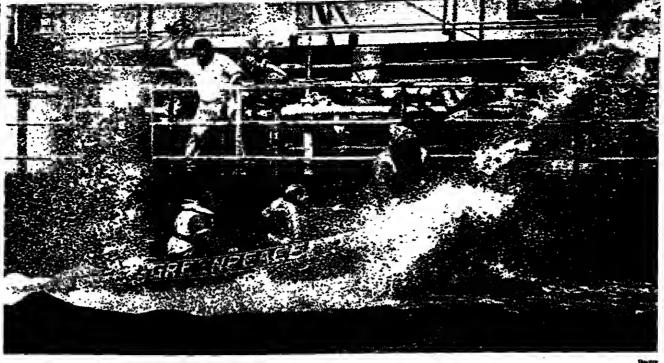
For the UK, the scheme would raise the level of protection. Under present law, investors are offered 75 per cent protection on the first Ecu20,000 of deposits but only on sterling deposits.

Under the latest proposals from the Belgian presidency, the EC would require banks to raise protection to 90 per cent on the first Ecu20,000 with a five-year transition period.

The directive does not specify whether member states should introduce a public or private guarantee scheme. But it stipulates that banks must inform depositors on the level of protection.

Finance ministers are today likely to give a cool reception to two European Commission proposals aimed at boosting the EC's growth initiative. One plan to allow the European Investment Bank to offer interest rate subsidies to medium and small businesses is "virtually dead," according to one UK official.

Member states are also sceptical about a plan to allow up to Ecu5bn of Community borrowing against future EC structural lunds, on the grounds that it looks like deficit financing at a time of sup-



GREENPEACE activists in a dinghy pull up yesterday alongside the Italian freighter Diego in a protest against its chlorine cargo. Greenpeace said pollution from some 60 factories making chlorine around the Mediterranean were contaminating the sea

Judges 'plotted against Gardini'

INVESTIGATIONS into Italy's political corruption scandal could take a new turn this week following testimony claiming Mr Raul Gardini, the entrepreneur who killed himself in July, was the victim of a plot between politicians and corrupt judges, writes Haig Simonlan in Milan.

Mr Sergio Cusani, a financial intermediary who acted as go-between for Mr Gardini's Montedison group at the time of the Enimont chemicals joint venture with the state-owned Eni energy and chemicals concern, has allegedly accused Eni's then-management of colluding with Mr Dlego Curto, a senior Milan judge.

senior Milan judge.
Mr Curto, arrested earlier
this month, was responsible
for the controversial November 1990 ruling to freeze Eni's
and Montedison's shares in
Enimont at a crucial stage in

the battle for control of the public-private joint venture. The new allegations were made in a leaked 14-page document by Mr Cusani, in jail in Milan, to magistrates investigating Mr Curto on corruption charges. According to the leaks, Mr Cusani claims the decision to freeze the Enimous shares was made in collaboration with Eni and senior politicians to force Mr Gardini to

ut (

A number of former Montedison executives now under
investigation have claimed the
share freeze was a deliberate
signal to Mr Gardini from
Italy's main political parties
that his ambitions would be
thwarted and that the only
way to unblock the situation
was tn arrange a deal with
had waged a campaign to win
control of the joint venture.

Russians welcome German business invasion

John Lloyd on a new spirit of co-operation between the two nations on the enterprise front

HE IRONIES never absent when Germans meet Russians on their own soil were on full display in Nizhny Novgorod this week when delegations of German businessmen and politicians came to Russia's most marketoriented region to advise, to learn and to do business.

Mr Heinz Rhunau, former chairman of Lufthansa and now deeply engaged in assistance to the Nizhny region. says that "I am happy that I can come here and talk to him (embracing his translator) without a rifle in my hand". Outside the administration

building where he has been meeting the region's leaders, a war memorial exhorts - "Comrades, remember the life of those who left us...they fell, for honour and freedom, for the motherland. Think on this down the canturies, as you walk beside them."

Mr Reside them.

Mr Rhunan, of an age to have fought in that conflict, now advises the West Deutsche Landeshank and the government of North Rhine-Westphalia in its work with Nizhny: the region is steadily strengthening its links with the German state, Giving a fulsome toast on Thursday night, Mr

Boris Namtsov, the young governor of the region famous for his - increasingly unusual - pro-market views, said that "we have signed protocols on 25 different deals with North Rhine-Westphalia, and 25 of them are being fulfilled."

Mr Rhunan lighted nn Nizhny because (he counts off the reasons): "One, excellent production equipment; twn, highly educated workers; three, a high social sense people here are disciplined; and four, the leadership here are the Russlans of tomorrow."

Mr Nemtsov and his colleagues may be Russians of

tomorrow: but distinguished Russians of the past head the local economy which is heavily biased towards defence production. Indeed, as Mr Rhunan and his team negotiated with Mr Nemisov, an esplanade-full of tanks, guns, military vehicles and Migs were presented for show in Nizhny's secund defence fair — as local cash-strapped industries tempt domestic and foreign buyers to arm themselves better.

The man whose plants make

these and other products (such as the Volga car) are at best sceptical of the market. A German-Russian seminar on military conversion last week was a rehearsal of positions – the Germans stressing the need for market knowledge and company-level initiative, the Russians talking of their ability to switch production rapidly to

produce goods for an empty, undiscriminating market.

"Why has there not been a catastrophe here when the state slashed military spending last year?" asks Mr Vladimir Luzyanin, general director of the Hydromash engineering

plant. "Because in the 1970s we had already been directed to devote part of our production to consumer goods. So for most of us, it was a matter of increasing that proportion. We did it in 18 months."

Mr Luzyanin and his colleagues do not want joint ventures with foreign companies. He wants to trade. "We have orders to make parts for the Airhus," he says. "And for other western companies. We do all this. Now. With some more money we will do better, by ourselves."

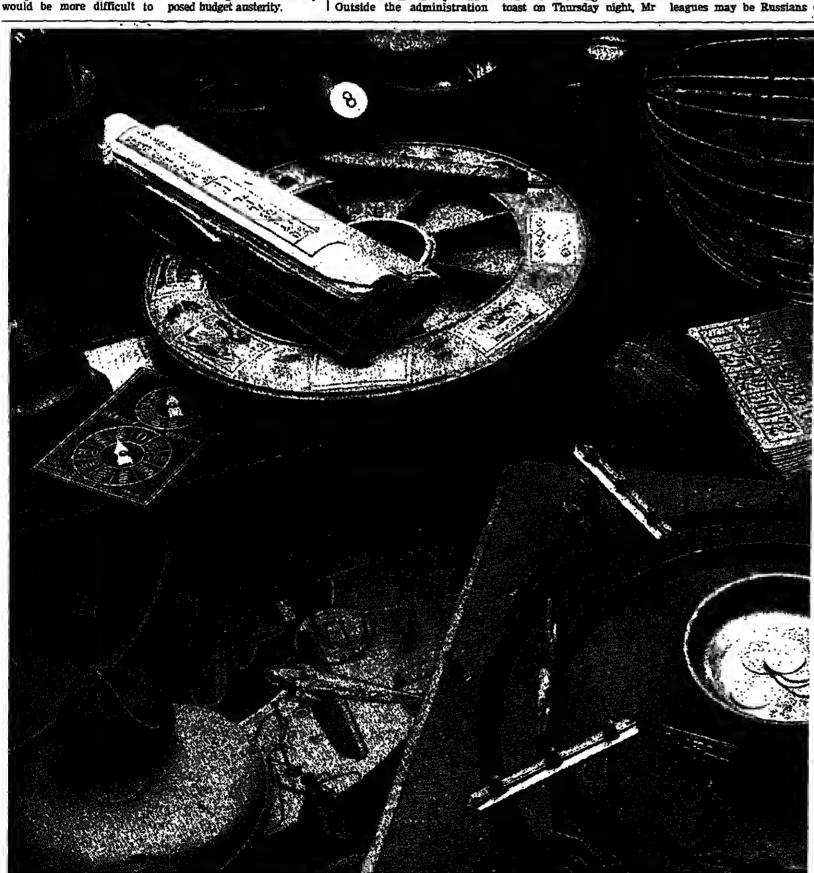
Mr Yuri Sedakov, head of the NIIS plant which makes printed circuit boards and production equipment, has, he says, got exemption from privatisation and taken his enterprise under control of the Ministry of Atomic Energy because "we have a unique range of equipment here, a unique technology - we cannot allow it into the hands of those who might neglect it."

Perhaps they are wrong to be so dismissive. At the military hardware exhibition, Mr Karl-Heinz Kleldzinski, a social democrat member of the Bundestag, a former (peacetime) fighter pilot and defence expert, kicks the tyres on a howitzer and notes that its range is 24kms. "It is not competitive. The howitzers in the west have a range of 30kms: it could be destroyed while get.

ting into range.

The Mig 29 is made in Nizhny: one stands on the esplanade, guards handing children into the cockpit as Russians and foreigners view what three years agn was shrouded behind hangars in a city which itself had been closed until the end of the

eighties.
Yet these "red directors" are the flower of the Soviet crop-commanding, highly educated, devoted to their enterprises. They like neither the chaos of the "market" nor privatisation but insist they can run their enterprises for the benefit of the country they have served. After six years of Gorbachev, two of Yeltsin, industrial leaders in Russia's most market-oriented region remain what they have always been.



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Nato plans 50,000 Bosnia deployment

By Lionel Barber in Bilzen

NATO is developing a plan to send about 50,000 peacekeeping troops to Bosnia, up to half of them Americans, if agreement is reached to end the civil war, Mr Les Aspin, the US defence secretary, said yesterday.

At a meeting in Brussels before flying to Rome to dis-cuss the proposal with US military officials, Mr Aspin confirmed for the first time the number involved but said the US Congress was likely to veto American participation unless European allies provided half the troops.

We are talking overall numbers of around 50,000 total that would be US and western allies," Mr Aspin told a meet-ing of the International Institute of Strategic Studies (IISS)

Separately, Germany is lobhying to appoint a German national to bead a European Community team to restore order to the ruined Bosnian town of Mostar, in the event of a peace deal between Moslems, Croats and Serbs in the Bos-

German officials confirmed the Bonn government's interadministration role in Mostar

if the warring parties resolved agreemant might only be their differences in peace talks in Geneva. "It would be one of tha first examples of a common European security and foreign policy," said one.

Germany's ambiguous constitutional restrictions on the deployment of military force overseas and its involvement

Congress is likely to veto US participation unless European allies provide half the troops

in atrocities in Yugoslavia in the second world war makes it impossible for Germany to take part in a UN/Nato peacekeeping force in Bosnia Appointment of a German

national to help restore basic facilities in Mostar would show the Bonn government is anxious to "do its blt" in former Yugoslavia, an EC official said. Lord Owen, EC negotiator, suggested during an upbeat presentation on Saturday to

EC foreign ministers meeting

in eastern Belgium that an

weeks away. But this depended on all three parties showing flaxibility and he was not yet ready to reconvene peace

Talks are focusing on encouraging the Croats to guarantee Bosnian Moslems access to the Adriatic Sea.

Ministers are also trying to persuade the Serbs to open up safe corridors between Bosnian-held territory. It is understood Greece is being used as an intermediary, passing the message that Serb concessions would lead to a swift lifting of In Zagreb the Croatian news

agency said Croatian President Franjo Tudjman yesterday ordered a ceasefire in Croatia and told troops not to respond to Serb provocations.

Mr Tudjman told a meeting Croatia's defence council

thet he wanted the ceasefire to

be respected within the next 24

hours to enable a truce to be reached with Serbs, the president's office said. Serbs and Croats fought a bloody war in 1991 after Croa-tia declared independence from Yugoslavia. A UN-brokered ceasefire agreemant in 1992 failed to prevent sporadic fight-

ing re-erupting last week.

TION is a controversial issue in the Polish paign and Mr

Polish Poland's privatisation minister, knows he is fighting a rearguard action in

tember 19. Opinion polls show his proprivatisation Liberal Democratic Congress (KLD) party, which played a key role in sevments, could fail to win the 5 per cent of votes needed to enter parliament.

the run-up to voting on Sep-

Mr Lewandowski, a 42-yearold economist, is under attack from left wing and populist rivals anxious to discredit the the campaign trail in Poznan province in western Poland he described himself as the most controversial minister in the government, "I feel like a bomb disposal

specialist," he said, aware that ilmost every decision he takes could blow up in his face. "It would be safest to do nothing," he said at meetings last week, "but then many of the companies which only exist because they were privatised would have disappeared long ago".

The attacks, which Mr Lewandowski labelled as "a pack of lies of Himalayan proportions," relate to his ministry's efforts to privatise more than a quarter of the nearly 8,500 state sector enterprises and the sale to foreign and domestic investors of 76 former

Formal privatisation remains bogged down hy hureaucratic and political obstacles, but the explosive growth of new pri-vate companies means that more than half the Polish workforce in employment now has jobs in the private sector.

state-owned companies.

after the election is to press ahead with a mass privatisa-tion scheme (MPP) involving the sale of shares, at a nominal charge, in more than 400 statesector companies, to be managed hy western-style invest-

Critics of the MPP have found ammunition in reports prepared by the Supreme Chamber of Control (NIK), an official audit body which has faulted the procedures followed in the privatisation of more than 60 plants.

<u>Starting Today We Are</u>

claim is justified. Mr Lewandowski pointed out that the NIK was set up to Shares at a discount are also assess a completely different due by law to be sold to farmeconomic system. "Most of the ers who supply meat to the criticism dates back to 1991 works, although the hulk of when we at the ministry were Pozmeat's suppliers were state

Christopher Bobinski on attempts to discredit policy ahead of next week's elections farms now in their death learning to privatise and NIK was learning how to conduct

explosive decision over the

future of a local company, the

Goplana confectionery plant. Goplana, with 10 per cent of the domestic market, has been

working for more than two

years towards a merger with

ED and F Man, the sugar and

cocoa brokers, and Elite Indus-tries, an Israeli chocolate and

food processor. Man, which

saya it will invest \$37.5m

(£24.3m) in the plant has been

challenged by Nestle, which has offered to pay the Treasury

\$40m for control of the com-

Rearguard fight over Polish sell-offs

inquiries in new conditions."

one of the reasons why privati-sation is so slow. "I look at

each deal as it would be

viewed by a NIK controller,"

he told employees and manage-

ment during an electoral meet-

ing at Pozmeat, a Poznan atate-owned meat works which has

been trying to join the private sector since 1989.

here because I do

Everyone at the plant wants

quickly as possible in order to face the challenge from long-

established private-sector meat

The hitch is that the former

owners of one of the produc-

tion units have laid a claim for

compensation and some equity

has to be set aside in case the

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processors in the area.

'I'm standing

a difficult job

which needs to

be understood'

But the pressure from NIK is

pany and invest a further \$30m. "This is a conflict "The farmers won't buy the between the head and the shares but we have to make beart," Mr Lewandowski said, provision for them." Mr Lewandowski patiently explained last week in the cenadding he would visit the plant before deciding what to do, hut "not just yet". Whatever he tury-old plant's assembly hall. decides, however, be knows he Poznan prides itself on its will be criticised. traditions of order, hard work "If I go with Man I will be attacked for failing to secure and reliability, and Mr Lewandowski is boping these will

budget revenues. If we sell to favour his cause. In 1991 the Nestle there will be hell to pay KLD won a mere 7 per cent of locally," he mused. the national vote, hut 12 per cent in Poznan. "I'm standing here because I do a difficult joh which needs to be understood The atmosphere is calmer at Metalplast, a metal panels producer established in the 1970s to build the new factories put and people here have a better feel for economics than alse-

up under the western-finance vestment boom. where," he told a sparaely attended election meeting at Over the past four years Metalplast has started to pro-vide commercial rather than Szamotuly, north west of Pozindustrial buildings. It ended Mr Lewandowski is taking last year with a 36bn zlotys no chances with a potentially

(£1.2m) net profit and has voted to enter the MPP. But even here, where unem ployment is low, the doubts linger. "We went into the programme because the employ ees are keen to get the 15 per cent of the equity that entry will give them, and we need a modernisation loan," said Mr Marek Szczesny, managing director. "But we worry that the foreign fund managers will start reorganising just when we have got everything going

Socialist victory will hit economy, ¹⁹ says Mitsotakis

By Kerin Hope in Athens

MR Constantine Mitsotakis, the Greek prime minister, kicked off his re-election campaign at the weekend by warning that the economy would face serious problems if the Panhellenic Socialist Movement (Pasok) came to power.

Mr Mitsotakis, whose government was toppled last week by defections from his New Democracy party, also claimed the socialists' pledge to call off the privatisation programme would disrupt Greece's bld to achieve economic convergence

with its EC partners. "There will be a new hae morrhage of deficits. The Greek people will be called on to pay out a huge amount if privatisation is abandoned," he told an audience of Greek busi-

nessmen in Thessaloniki. Whatever the outcome of the October 10 election, called seven months before the expiry of the conservatives' mandate, delays in revenue raising can be expected. Budget projections for 1993, the first year of Greece's five-year convergence plan, include at least Dr330bn (£930m) in privatisation reve-

Nevertheless, Pasok's intention of cancelling negotiations for the sale of public utilities and rolling back recent legislation permitting private operators to huild and run power plants

entance



Mitsotakis: toppled last week

would damage chances of Mr Mitsotakis also warned that any serious deviation from the convergence targets

which include reducing government borrowing from 9. per cent of gross domestic product in 1992 to 0.7 per cent in 1998 and halving the public debt, would mean that trans-fers from EC structural funds would be held back.

Greece's current account deficit is beld at manageable levels by steadily rising EC transfers, with up to Ecu20hn (£15.24bn) due to be disbursed in the next five years.

The conservatives, their popularity eroded by a three-year decline in real incomes and rising unemployment, are well aware they will have an uphill struggle to stay in power.

Samaras targets

rightwing voters

centrist and

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Our three operating companies—The First Boston Corporation in the Americas, Financière Credit Suisse-First Boston in Europe, and CS First Boston Pacific, Inc. in the Pacific—will be operating as one under the name of CS First Boston. Our mission is to serve our clients worldwide in the most efficient and effective manner. After a thorough study by the Firm's leadership, we concluded that your needs as well as the dynamics of the marketplace required this change. We are committed to serving you better by building on our unique long-standing regional capabilities in the Americas, in Europe, and in the Pacific.

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In 1992, we undertook privatization assignments in 31 countries, and were chosen by 134 merger and acquisition clients in 24 countries to advise them on transactions totaling over \$61 billion, more than any other investment bank.

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stock offering, third largest in history for a U.S. corporation YPF (Argentine state oil company), \$3.04

Chrysler Corp. \$2.01 billion common

billion public offering of common stock

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July 1993 Was named 1992 Merchant Bank of the Year by Asia Money & Finance, December

1992/January 1993 Was voted Most Successful Capital

Markets House of the Decade, International Financing Review

writes Kerin Hope. Mr Antonis Samaras, 42year-old former foreign minister who brought down the New Democracy government last week, is no exception. Yet Mr Samaras, leader of Political Spring, a new party which hopes to attract discon-

IN a country where the leaders of both major political parties are in their mid-70s, younger

Greek politicians inevitably

feel a sense of frustration.

Samaras: opposes privatisation

tented centrist and rightwing voters in the October 10 elec-tion, may have got both his timing and his policies wrong. One former cabinet minister said: "All he had to do was he patient and the New Democracy leadership would bave

dropped into his lap." As Greece's youngest foreign minister in memory, Mr Sama-

instructions of Mr Constantine Mitsotakis, prime minister, and use his charm to improve Greece's image with its Euro-

pean Community partners.

But Mr Samaras opposed the prime minister's policy of compromise over recognising the formar Yngoslav republic of Macedonia. He was sacked in spring 1992 after proposing Greece close the border with Macedonia to pressure it into changing its name

The contradiction between Mr Samaras's efforts to pres-ent Political Spring as the party that can rejnvenate Greek political life and his old-fastioned nationalist views will not be lost on voters. Greek businessmen, anxious to see the departure of the old political leaders wonder whether Mr Samaras, a graduate of Harvard husiness school, can be serious about opposing the government's privatisation policy.

Analysts expect Political Spring will win between up to six per cent of the vote, enough to spoil Mr Mitsotakis's chances of returning to power. Although Mr Samaras is likely to keep his parliamentary seat in Messenia in southern Greece, he would be accused by conservatives of handing victory to the socialists. As a result, his political future may be just as uncertam as that of Mr Mitsotakis.

One Firm One Name One Mission



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AMERICAS: New York, Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, Philadelphia, San Francisco, San Juan, Toronto EUROPE: London, Amsterdam, Budapest, Frankfurt, Geneva, Madrid, Milan, Paris, Prague, Zug, Zurich PACIFIC: Tokyo, Auckland, Beijing, Hong Kong, Melbourne, Osaka, Singapore, Sydney, Wellington

head faces bribe charges

in Hong Kong and Peter John

MR EWAN LAUNDER, the former head of Hongkong and Shanghai Banking's merchant banking arm, Wardley, who was arrested on Friday in connection with the collapse of the Carrian empire in 1983, is expected to appear as a key witness in the trial of Carrian's chairman, Mr George Tan.

Mr Launder is considered the front-man for Hongkong Bank's substantial dealings with the group.

Scotland Yard yesterday confirmed Mr Launder was arrested by officers attached to the internationally organised crime branch. He was seized on Friday at the request of Hong Kong police as he flew into

Heathrow. Mr Launder appeared in Bow Street magistrate's court on Saturday, and is facing extradition to Hong Kong on charges of accepting HK\$45m (£3.8m) in personal bribes from Carrian group companies. He was remanded in custody at Brix-

ton jail until Friday. The arrest follows last month's return to the UK by Mr Lorrain Osman, who had been expected to play the role of key witness in the continuing investigations into Mr Tan. Mr Osman's return, after 15 charges against him were dropped, had led to the expectation that the Carrian affair, Hong Kong's most notorious corporate scandal, was finally

drawing to a close.

shell listed company in 1979, and emerged as a massive property investor in the early 1980's; Wardley acted as financial adviser and financier from the outset. Carrian collapsed in 1983 with estimated debts of more than HK\$10bn, and Mr Launder left Wardley in the

The case has cost Hong Kong taxpayers more than HK\$100m, but there is little sense there that justice has been done. Mr Tan, his righthand-man

Bentley Ho, and two partners of Price Waterhouse - Car-rian's accountants - faced criminal charges, but were let off in 1987.

Further controversy came with the murder of a Malaysian investigator into the scandal and with the suicide in 1984 of an eminent lawyer, connected with Carrian, who was found at the bottom of a swimming pool.

Despite the close connections with Wardley and Hongkong Bank - the bank's former chairman Sir Michael Sandberg invited Mr Tan to his box at the races, and was said to have blocked opposition to Carrian loans - Mr Launder is the first HSBC official to face charges concerning the Car-

In 1988, Mr Stewart Turner, a former employee of Barclays Asia, was found guilty of accepting hribes in relation to a loan given to Carrian. Mr Osman also pleaded guilty of defrauding Bumiputra Malaysia Finance Corporation by rawing to a close.

Carrian was formed from a pany controlled by Mr Tan.

Brazil party plays for time on Franco

By Angus Foster in Brasilia

BRAZIL'S largest political party has postponed until September 21 lts decision on whether to break with the government of President Itamar

(PMDB), which held its national convention yesterday, decided on the postponement to win more time for both sides to solve their disagreements, which include personal and policy differences.

Mr Luiz Antonio Fleury Filho, governor of São Paulo, Brazil's richest state, is heading a small but powerful group of party leaders who are critical of the president and his government. They also fear the

PMDB will suffer in presidential and congressional elections next year if the party remains linked to President Itamar's unpopular government.

Another wing of the party, probably in the majority, is afraid that hreaking with the The Party of the Brazillan government would throw Bra-Democratic Movement zil into crisis. The PMDB guarantees the government's major ity in Congress and a withdrawal of support would put in doubt reviews of the constitution and fiscal reform due to start later this year.

Another reason for the PMDB's delay was concern that Mr Fernando Henrique Cardoso, finance minister, was preparing an economic "shock" plan to tackle inflation, running at an annual 2,000 per

Ex-Wardley | Clinton still requires a winning Nafta vision Nancy Dunne reports on the president's uphill battle to win the hearts of Congress

PRESIDENT Clinton tomorrow formally launches his uphill battle to make the North American Free Trade Agreement acceptable to a dubious US Congress.

With ex-presidents Bush, Carter and Ford expected at the White House for a Rose Garden ceremony, Mr Clinton will sign the supplemental agreements on labour, environment and import surges negotiated over seven months with Canada and Mexico. The White House is also hoping to

acquire the salesmanship skills of Mr Lee Iacocca, former head of Chrysler and a pitchman notable enough to challenge Mr Ross Perot, leader of the strong Nafta opposition.

There is now a determination in the White Hnuse to portray the pact, along with its side agreements, as "Clinton's Nafta" and therefore one which should be more acceptable to labour and environmentalists. However, if the side pacts have won any adherents, they have yet to announce their conversion.

As is usual with trade issues, the spotlight is on Mr Richard Gephardt, the House majority leader, whose backing is seen as key to Nafta's passage in the House. Mr Gephardt leaves a tantalising opening in his current insistence that ba cannot support the pact - as it stands.

Mr Gephardt has been demanding for a long time a fixed funding source, dedicated to pay for environmental clean-ups at the US-Mexican border and for worker retraining. An outline nf the financing plans may be

The administration plans to propose scaled down versinn of a North American Development Bank. However, this could be expanded by Congress, where there is support for an institution capable also of also start-up business loans in districts threatened by job losses.

Currently, the proposal is to limit the Nadbank to environmental projects at the border and to locate it within the Inter-American Development Bank. However, Congressional supporters of a larger bank may well prevail when the plan gets to Capitol

It has been suggested that Mr Gephardt might find acceptable a cross-border tax which would provide the embryonic funding for a Nadbank. The tax would be "finite" – in place only until it raised the \$600m (£390m) currently envisaged from the US and Mexico for paid in capital – which: may make it acceptable to the busi-

Vice President Al Gore yesterday suggested that the implementation of Nafta may be delayed beyond its scheduled launch on January 1 1994. He acknowledged that the vote may not come until early next year, but scoffed at press reports that the administration is backing away from the controversial agreement.

The White House has established a Nafta "war room", reminiscent of the Natta war room, reministent of the quick-response team which won high praise for its wit and speed in last year's presidential campaign. Nafta captains are in place – Mr Bill Daley, an accomplished Democratic hackroom deal-maker, and Mr Bill Frenzel a former Minnesota Republican congressman - although neither has been

visible much in public.
Mr Clinton's lack of enthusiasm in defending Nafta has fuelled doubts about his commitment to the cause. He has seemed remote from the fray, unable to inspire the public and unwilling to articulate a vision of an expanded home market with more

jobs to gain than to lose.

He can hardly be pleased about the rift it is creating between the moderate and liberal wings of the Democratic party.

Reports that the White House is hacking away from Nafta bave "enraged" the White House. One jubilant official said: "The political will is there; the fight is now starting.

India to probe car bombs

By Shiraz Sidhva in New Delhl

A SPECIAL team has been set up by the Indian government, involving the Home Office and official investigative agencies, to investigate the car bombs outside the Youth Congress (I) nffice in Delhi's high security zone which killed eight people and injured at least 40 others on Saturday.

The police said yesterday that initial investigations have revealed the involvement of

Punjab terrorist groups. Mr Maninderjit Singh Bitta, the Ynuth Congress (I) president, whom police suspect was the target of the attack, escaped with minnr injuries. Mr Bitta's car was leaving the gate of his nffice when two powerful bombs went off.

Meanwhile, the fonr main leaders of the Hindn revivalist Bharatiya Janata party are campaigning nationally against government plans to legislate a separation of reli-gion and politics ahead of elec-tinns in four states due by

Bharom Singh Shekhawat. sacked former chief minister of Rajasthan, is pictured waving during a campaign rally in



Tokyo to unveil fresh emergency package

THE NEW Japanese government is expected on Thursday to unvell an emergency economic stimulation package worth up to Y5,000bn (£30.7bn), officials said over the weekend.

This will be the second such package this year after a Y13,200bn public spending plan adopted by the former LDP government last April.

It marks the depth of concern in the one-month-old coalition at the unexpected length of the economic slowdown, highlighted last Friday with the

been ordered to suspend trading for two to five days at some branches, as punishment for stock market irregularities, William Dawkins reports. Yam-

publication of the Bank of Japan's latest survey on husiness confidence. Manufacturing industry was at its gloomiest for 18 years, since the aftermath of the first oil price shock, and there was no immediate sign of an upturn, said the

The new stimulus package will

and Kyosei Securities admitted they had bought shares in Nihon Unisys knowing that a speculator was trying to manipulate the price.

include cash for improvements to Japan's heavily loaded infrastructure, a Y2,000bn increase in public housing loans, Y1,000bn of aid to small business, and YL000bn spending on social projects such as urban improvements for the elderly, according to Japanese press reports. This will be funded by a supplequoted as saying.

The package will also include details of the government's drive to curb husiness regulations and to pass on the benefits of the yen's strength to con-

sumers in the form of lower prices. Details will be studied closely by financial markets, eager to see how the government of Mr Morihiro Hosokawa plans to fight off recession. It will also be watched by the US, keen to see evidence that Tokyo is working hard to stimulate import demand.

Last try for power by former

Thai PM By William Barnes in Bangko

THE FORMER Thai prime minister, Mr Chatichai Choonhavan, showed he has lost none of his flair for the unexpected by announcing the crestion of a 90-seat party late on Friday night.

However, the merger of four opposition parties with a party in the ruling coalition government appeared to have already run into trouble yesterday as key members of Mr Chatichai's party angrily rejected the

The initiative is widely seen as the ageing disco-loving Chatichal's last desperate tilt at the premiership, risking severe damage to his own Chart Pattana (National Development) party for the sake of inconven-

iencing the government.
"Chatichai knows that at his age be can't wait two or three years for the next election but this smacks of desperation," said the political analyst of a western embassy.

The 73-year-old Mr Chatichai who was ousted by a military junta in February 1991 - has endured a year in opposition without being able to seriously trouble the five-party coalition government despite repeated criticism of prime minister Mr Chuan Leekpai for cautious and lacklustre leadership.

TART:

The new 90-seat strong politiurty is supposed to tak over the name of the current Social Action party which seems certain to be kicked out of the ruling coaliting.

The 21-member strong Social Action party was only brought into the coalition to shore up the thin five-seat majority of the four "angelic" parties who opposed a military junta's domination of politics and subsequently won last September's pivotal general election.

Structural barriers to eastward enlargement

THE COMBINATION of Europe's deepening recession and the collapse of the hard version of the exchange rate mechanism in July appear effectively to have pleced the final nail in the coffin of the Maastricht treaty. Europe bedly needs to take a new economic direction, but no one seems to know what it should be.

But there is one option which most EC member countries appear determined to rule out: enlargement to the east. A senior diplomat from one of the EC's largest southern European member countries confirmed last week both that the Maastricht timetable for monetary union was impossible but thet his country had no option but to try to stick to it. As for switching the agenda from monetary deepening to membership widening, his response was an

At first sight, the reason for this adamant opposition to eastward enlargement seems obvious. Poland, the Czech Republic and Hungary are all endowed with cheap and relatively skilled labour. They thus seem to pose a threat to industrial competitiveness in Spain, Greece, Portugal and Ireland, especially if the potentially highly restrictive east European Associatim Agreements were to be replaced by full membership of the Single Market.

But the view that the southern European countries stand to be hurt more if trade with the east is liberalised is misconceived, as the European Commission has highlighted in a recent study. In fact, the research, conducted by National Economic Research Associates, the London-based consultancy, finds thet the Community's "lagging" regions (Greece, Portugal, the Irish republic, northern Ireland, southern Italy and most of Spain) stand to gain most from successful reform in eastern Europe and the former Soviet Union.

In the short-term, the Commission report estimates that the EC area would be a net loser from open trade if reforms ded, although the fall in output would be a tiny 0.2 per cent. As east European imports of manufactures and agricul-tural goods grew, so the net impact of open manufacturing trade would turn positive, and outweigh agricultural losses. By the year 2010, the report estimates total EC output would have risen 0.8 per cent.

But the poorer, lagging, regions are net beneficiaries from the beginning, with Greece, southern Italy and Spain reaping most of the benefits. Output is projected to rise for all the main categories of manufactures in the lagging regions, with the exception of iron and steel. And the projected gains in manufacturing output are substantial - 0.4 per cent by 1995 and 2.2 per cent by 2010. For Spain and Portugal, this relative success is almost entirely explained by a mix of industries and products which are better suited to the import needs of the east European countries. For Greecs, this industry effect is supplemented by its geographical proximity to

the emerging markets.

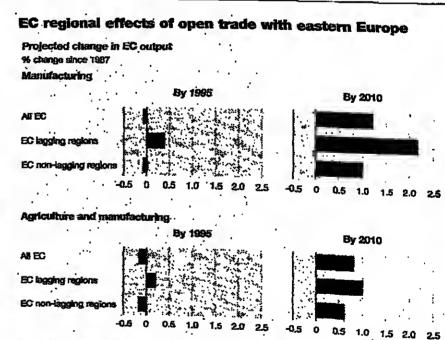
Why then are the southern European countries so opposed to eastward enlargement, and determined to stick to the Maastricht timetable? The reason is the ECa Eculs7bn (£120bn) aid budget. Over the period 1994-99 the EC plans to distribute

Ecul41.5bn in structural funds to the EC's backward regions. A further Ecu15.5bn should be paid out by 1999 to Ireland, Spain, Portugal and Greece through the cohesion fund as compensation for signing the Maastricht treaty.

But allowing the east or central European countries to join the Community would undermine southern Europe's claim on this aid budget, while recognising that the Maastricht timetable is dead removes the rationale for the cohesion funds. The risk for the EC is that locking the east European countries out may mean an even larger aid burden if reforms fail. But this is a threat that the southern European countries appear unwilling to contemplate

Edward Balls

Trade and foreign investment in the Community's regions: the impact of reform in central and eastern Europe. Commission of the European Communities, Regional Development Studies No 7.

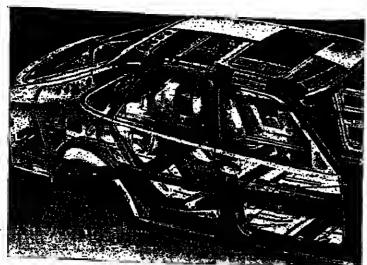


INTERNATIONAL ECONOMIC INDICATORS: PRICES AND COMPETITIVENESS Yearly figures are shown in index form with the common base year of 1965. The real exchange rate is an index th # UNITED STATES **JAPAN** E UNITED KINGDOM Real solution rate Plani enchang rata وسراسه خلاد 1986 1986 1987 1988 1989 1989 1990 1991 100.0 102.2 103.6 106.8 100.0 103.3 100.8 96.2 96.1 98.2 101.8 111.1 100.0 103.4 107.7 113.0 721.8 133.3 141.2 146.4 100.0 116.2 123.3 130.0 122.1 109.2 116.2 116.7 100.0 99.9 100.1 101.4 104.2 107.0 110.7 115.1 100.0 97.5 95.1 96.2 99.3 101.0 103.4 104.8 100.0 98.6 100.0 103.6 108.0 113.0 117.3 123.8 131.8 100.0 103.7 106.6 106.7 107.7 110.2 114.7 121.2 100.0 97.2 87.8 102.8 108.4 107.1 105.8 104.0 100.0 100.0 107.0 110.5 109.9 108.4 110.3 108.4 110.5 100.0 104.5 107.6 111.1 115.4 120.6 125.6 130.6 100.0 102.9 104.1 101.8 99.8 102.9 101.3 104.7 100.0 100.0 104.6 111.8 118.4 125.6 134.7 147.9 155.9 100.0 100.n 100.2 103.2 106.8 113.1 117.8 100.0 103.6 104.9 103.8 107.4 108.5 107.7 102.4 190.0 83,7 74.8 71.4 75.0 71.8 71.8 70.6 100.8 101.2 102.2 104.6 108.2 111.8 113.8 95.3 92.5 92.3 94.2 95.7 96.6 95.8 100.0 100.0 107.7 116.3 126.2 137.2 150.1 162.4 173.1 99.4 96.7 99.1 101.9 100.0 106.1 111.0 116.5 124.2 181.6 140.3 147.7 102.5 101.5 1965 1965 1967 1968 1969 1990 1991 1992 105.9 108.8 112.6 116.5 120.2 123.0 103.0 104.0 105.3 109.5 113.8 115.8 104.5 105.9 108.9 113.6 123.2 130.3 110.0 113.8 117.8 120.2 101.1 104.3 107.8 108.1 114.0 120.1 124.2 125.0 113.8 3rd qtr.1992 4th qtr.1992 1st qtr.1993 1.6 1.8 2.0 1.8 117,1 122,1 126,1 135,5 0.7 -0.8 -2.0 -2.6 0.7 ~0.1 ~0.5 2.0 0.9 1.2 1.0 3.5 3.7 4.3 4.2 8.9 6.1 8.2 9.7 111.2 113.3 113.3 2.7 2.2 2.1 2.0 -0.9 -1.5 -2.6 -3.3 105.0 5.2 4.8 4.3 4.1 3.7 3.6 3.0 1.8 1.8 2.9 2.8 3.1 105.7 92.9 92.7 95.2 3rd qtr.1992 4th qtr.1992 2nd qtr.1993 -0.9 -1.1 -1.1 -1.2 -1.1 -1.0 -1.2 -1.3 1.6 1.7 1.4 1.6 2.0 2.0 2.4 2.0 1.4 1.3 68.1 70.3 73.1 73.3 74.4 74.8 74.0 72.5 72.6 73.4 3.6 6.7 3.7 3.7 4.4 4.2 4.3 4.2 4.3 4.2 4.3 108.2 108.8 108.0 107.6 108.5 109.6 109.2 110.0 2.2 0.5 0.9 1.0 1.3 1.2 0.6 1.1 0.8 0.5 0.5 0.8 0.6 0.3 0.1 112.0 2.6 3.5 ra ra ra ra ra ra ra 100.4 92.8 94.7 61.4 88.0 86.0 83.8 84.3 88.0 88.3 2.7 2.6 3.1 3.6 3.6 3.7 4.0 4.0 4.0 2.4 2.1 2.0 2.1 2.1 2.2 2.1 2.0 102.3 93.8 81.3 93.4 94.9 90.4 92.4 95.5 113.4 113.4 113.4 113.4 113.2 113.1 December Jenuary 1983 February March April May June July August Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA from national government and IMF sources, and by JP Morgan, New York, Consumer prices: not seasonally adjusted, Producer prices: not seasonally adjusted, US - finished goods, Jepon - manufactured goods, Germany - industrial producer prices, UK - manufactured products. Earnings index: not seasonally adjusted, refers to semings in manufacturing except Japan (monthly) and UK (weekly). Unit labour control, seasonally adjusted, reseasonally adjusted, refers to semings in manufacturing except Japan (monthly) and UK (weekly). Unit labour control seasonally adjusted, refers to semings in manufacturing except Japan (monthly) and UK (weekly). Unit labour control seasonally adjusted, refers to semings industrial for change in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour control seasonally adjusted, refers to semings industrial for change in industry). Hourly except Japan (monthly) and UK (weekly). Unit labour control seasonally adjusted, refers to semings in manufacturing except from the seasonally adjusted, refers to semings industry). Hourly except Japan (monthly) and UK (weekly). Unit labour control seasonally adjusted, refers to semings in manufacturing except from the seasonally adjusted.





PAGE ATTER MALIETH EUROSS



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The new Saab 900's door handle is intentionally-recessed to reduce wind-noise. With your palm up or down it offers a firm grip. Well appreciated in bad weather or emergencies.

The front was hit at 56 kph.

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team has worked beyond test-track and laboratory, analysing real-life road accident data. The car bristles with safety features which apply in all markets, not only where legislation demands.

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Active Safety? Avoiding accidents in the first place. We match our chassis resonance to that of the human body with prompt and precise signals. (Germany's authoritative "Auto, Motor und Sport" magazine: '...a high level of performance and comfort owing to a sporty and comfortable chassis'.)

The driver receives an uninterrupted flow of vital signals enabling corrective or compensative action.

Perhaps explaining the uncanny feeling of security and harmony that accompany even your initial drive.

By increasing chassis rigidity, we have improved handling and driving behaviour consistently across all speeds and loading conditions increasing the car's predictability, an advantage that could be decisive for accident avoidance.

MOVING TO 'PASSIVE' SAFETY.

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inertia seat belts and individual head restraints*. The lower seatframe also acts as a cross-member reinforcing side-protection (the rear seat backrest can be optionally equipped with two foldable child seats).

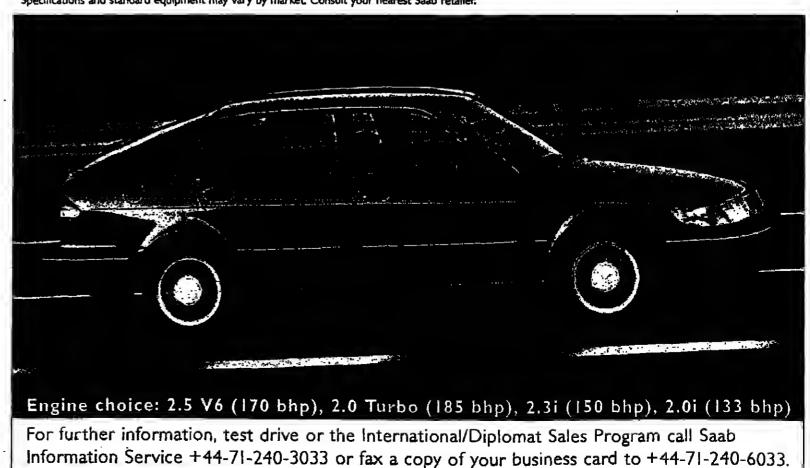
All doors are packed with shockabsorbent foam. The side-protection-system deforms defensively while absorbing collision force. Occupants are housed in a reinforced steel safety cage that deflects high-speed collision forces. Result? A battered new 900 with safety cage intact. Passengers would have been shaken, but alive. For 25 years, our safety engineering

car. Based on the identical design philosophy, our tests indicate that the new 900 is equally as safe. Other insurers agree, endorsing the new 900's safety and stability by, in most cases, reducing premiums below other cars in its class. Very sensible. Very satisfying. And very Saab.

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Centre head restraint is an option
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Engineering groups demand law reform

By David Goodhart, Labour Editor

THE Engineering Employers rederation called yesterday for urgent reform of UK lahour law, saying that its complexity was imposing an excessive burden on companies.

The federation, the UK's largest industrial employers' group, says in an internal paper that the law should be overhauled to strike "a fair balance between the employment rights of individuals and the requirement to promote sucfurthest a leading employers' group has gone in arguing that UK labour law should be put on a new footing.

The government last month passed its eighth important piece of employment legisla-tion since 1980, and the UK is steadily accommodating a growing hody of European Community employment legis-

The paper says on EC legislation that, because of differing legal traditions, a proper halance has not always been struck hetween adequate implementation and the avoldance of undue burdens on husiness. It also states that the UK government "opt-out" from the social chapter of the Maas-tricht Treaty "will only provide limited protection for UK employers". Because of that. the federation continues, the UK government should seek to negotiate on all EC employment proposals.

Other UK employers' organi-sations, such as the Institute of Directors, are pressing for further labour legislation in the UK including a ban on strikes in essential services. The Engineering Employers Federation argues that legally-hacked codes of practice should supersede the present complex mix of statutory provision and case law. Such codes would bring the UK closer to the codified systems of labour law elsewhere in the

The paper says: "Regularly updated codes of practice, with greater authority than previous case law, should cover all the main areas of individual statutory rights."

The paper also says laws covering maternity rights, redun-dancy dismissals and the EC-

inspired Transfer of Undertak-ings (Protection of Employment) regulations are particularly complicated.

Another target is the industrial trihunal system which, the federation says, "is getting bogged down with excessive delays, long hearings and legal complexities"

Mr Peter Reid, head of employment policy at the fed-eration and one of the paper's main authors, said simpler and clearer laws would benefit employees and employers.

Editorial Comment, Page 15

Britain in brief



Freeze on 'green rates' is deplored

The UK food industry attacked a European Commission deci-sion to freeze fluctuations in "green" currency rates until the end of this month to protect farmers from losses. The "green" money rates

provids a mechanism for translating EC-guarantaed farm prices into national cur-

The Food and Drink Federation said in a letter to the Commission: "The system must be transparent and predictable for as long as it exists. It is of great concern that the rules agreed last December should be changed arbitrarily."

Mr John Bradbury, group buying director for United Biscuits, said: "It's absolutely abominable. We now face a month of complete uncertainty over our input prices with no idea what may happen at the end of that." The Issue will be discussed at a meeting of agriculture ministers on Septem-ber 20 at which Mrs Gillian

Shephard, the agriculture minister, is expected to oppose a continuation of the freeze.

Warning to regulators

Utility regulators should pay more attention to consumer interests before trying to introduce greater competition into household utility aervices because the benefits are far because the benefits are far from clear, the National Con-sumer Council says.

The results of privatising the gas, water, electricity and tele-phons industries have been very mixed and the consumer's interests have not always been served as well as those of the husiness user or the shareholder, the council adds. "The regulators should carry out proper cost/benefit analyses of the effects of introducing competition into these services. These analyses must include the implications for domestic

Accountancy

board accused Ernst & Young, the UK's third largest accountancy firm. launched an outspoken attack on the Accounting Standards Board's plans to reform rules governing financial reporting. An Ernst & Young report accuses the board, the accountancy standards-setter, of heading in the wrong direction

ics and diverging from international standards.

Mr David Tweedie, board chairman, retorted yesterday: "Most of what we are doing is just catching up with stan-dards elsewhere in the world."

Bus route to fortune

A group of hus drivers will make a profit of more than £100,000 each through the forthcoming flotation of Badg-erline Group. a company based in south-west England that has grown into one of the UK's big-gest providers of local bus ser-

The company, which operates 2.300 buses and coaches in Midlands, south Wales and the south of England, will be floated on the stock market in November with an estimated value of £100m.

Blast tragedy

A woman died and four other people were injured today as two blocks of flats built in the 1960s were demolished in an explosion which rocked the Gorbals district of Glasgow in Scotland. The 61-year-old woman, at first thought to have suffered a heart attack, was later believed to bave

been hit by dehris. Part of one of the 22-storey blocks remained intact after what was described as the largest controlled explosion

French invest in London

By Vanessa Houlder Property Correspondent

TWO FRENCH insurance companies bave paid £62.5m for an office building in London's St James's Square in one of the largest property transac-tions this year in the West End

of the capital. The deal Illustrates the prominence of overseas investors in the UK property marSquare has been acquired by GAN and UAP, two of France's largest insurance companies,

occupied by Grand Metropoli-

demand for UK property is the highest for at least five years. The firm adds that overseas investment in UK property of 1993 - about the same as in the last six months of 1992.

£171m total for 1992.

Directors attack

mission to the European Com-mission that the EC's social chapter and social action programme are based on "outdated and undemocratic collectivist policies geared to the rights of organised labour". Mr Peter Morgan, institute

of future EC social and employment policy must be to get these people back into work, an objective which will not be achieved by Europe's antiemployment laws and an even heavier burden of regulation and social cost on the job

with its reforms, ignoring crit-Iraq inquiry judge examines 'a very murky crystal ball'

for ministers and civil servants to lie "in the public interest"? That thorny question is at the heart of an inquiry, which resumes today, into UK sales

of arms to Iraq. Never before have the workings of Whitehall been subjected to such detailed scru-

The inquiry, headed by Lord Justice Scott, was launched last November by Mr John Major, the prime minister, after it was disclosed that the government had tried to withhold vital evidence from the trial last year of three executives of Matrix Churchill, a Midlands-based machine tools

Lord Justice Scott says that when he started the inquiry, it was like "looking into a very murky and inaccurate crystal

One senior official said: "Scott does not seem to understand what I would call a principle of government... This is that you don't tell a lie, but

How much did the government know about arms sales? Jimmy Burns and Robert Peston report

you don't have to open up com-pletely . . . There have been occasions when ministers have felt honestly that it is wrong to

open up the 'dossier'."

Another civil servant, who has appeared as a witness before the inquiry, said of the cross-examination he had received: "It was a most uncomfortable experience, a clear clash of cultures...the judge seems unable to understand the political, diplomatic and commercial realities existing in the 1993. ing in the 1980s."

Lord Justice Scott is making life equally uncomfortable for past and present ministers. He has asked Sir Patrick Mayhew, ths former attorney-general and current Northern Ireland secretary, whether he was part of an alleged cover-up to pre-vent evidence coming to court about UK involvement in the huilding of an Iraqi "super-gun". Scott will soon also interrogate Lady Thatcher, the former prime minister, and Mr Major on what they knew of UK sales of arms to Iraq in the

In the trial of the Matrix Churchill executives, the defendants might have been convicted of illegally supplying arms to Iraq if the UK government had succeeded in witholding evidence. The prosecution abandoned the case after the judge rejected the government's request to withhold classified documents in the

public interest.

The documents disclosed that the departments of trade and industry, defence and the Foreign Office had known about Matrix Churchill's business with Iraq in the mid 1980s. in apparent contravention of stated government policy that

WHEN, if ever, is it justifiable the UK would not export equipment that "would significantly enhance" the conflict at that time between Iran and Iraq.

In the light of such events. the Scott inquiry is now focusing on such questions as: Did the government deliberately lie to parliament by saying there was an embargo on the sale of arms to Iraq while secretly encouraging such

sales from the mid 1980s until shortly before the invasion of Kuwait in 1990? Who among ministers and Whitehall officials was responsible for the alleged deception If the government did ite to parliament, was that justified? On the other hand, was the alleged misleading of parliament the consequence of a cul-

ture of disbonesty within the highest reaches of Whitehall? Not since 1983, when senior diplomat Lord Franks probed the UK's handling of the Falklands conflict with Argentina has the machinery of government and the process of formulating defence policy been

examined so publicly. Franks's report largely exonerated the government of any direct blame. Senior officials fear the outcome of the Scott inquiry could be more far-reaching. One senior civil servant commented: "There has been an attempt to pass it [the handling of Iraqi policy] off as a 'cock-up', but I'm dubious about this... It does seem to me that we were keen to sell arms to Iraq and there was a certain amount of bending of the rules."

Lord Justice Scott has said he believes government is often surrounded by an unjustified veil of secrecy. "I think the government should be prepared to share with the public. on whose behalf it governs, its concerns and aims and the reasons why important decisions are taken."

But some fear that his findings will not be understood by the public. One official, a former permanent under-secre-tary of state at the Ministry of Defence, said: "An inquiry by a High Court judge is not the best way of doing this... He may bring out the facts, but my doubt is whether he really understands about the day-to-day husiness of government where things, if not quite murky, are not clear cut."

Observers such as Alex Danchev, professor of international relations at Keele University, who wrote an analysis of the Franks report, claim the cross-examination of witnesses in public is proving a healthy corrective of what he helieves is the abuse of power. "Civil servants after Scott are going to find it much more difficult to behave simply like hand-

to behave simply like handmaidens of government."

His view finds support from
a senior Foreign Office official,
who has appeared before the
inquiry. He said: "I think what
Scott Is pointing out is a
Whitehall culture which,
because of its inherent secrecy,
is prone to make misprone to make mistakes... We have tended to confuse service to ministers with the national interest."

Whitehall could become more open and accountable after the inquiry. But whether there will be disclosures that could lead to the resignation of



Golden

Steering-Wheel

for 1992

Styling, value, and operating comfort were some of the factors which

led to Mazda's award in Germany.

from Kumagai Gumi, the Japanese developer, on a yield of just under 7.5 per cent The 70,000 sq ft of offices -

tan, the food, drinks and retailing group - generate an income of £4.75m a year from one of the highest rents in London. Grand Metropolitan has a 25-year lease agreed in 1990. DTZ Debenham Thorpe says

Hong Kong and Chinese investors have been the most prominent source of demand, accounting for nearly a quarter of investment so far this year. Investors from the Far East have spent £195m for the first half of 1993 compared with a 1992 total of £63m. Middle East investment is also continuing to grow, with a total of £152m by mid 1993 compared with a

Investors from mainland Europe accounted for 40 per cent of the total spent from overseas on UK property in the first six months of this year.

'outdated' EC policy

By Michael Cassell, Business Correspondent

THE INSTITUTE of Directors has launched a fresh attack on EC social policy, describing it as a "misdirected and damaging job-destroying machine". The institute says in a sub-

director-general, called for

Mr Morgan added: "The biggest problem in Europe today is 17m unemployed. The focus

set free from the shackles

of social policy, which makes

the labour market inflexible

and European husiness uncom-

creators."



NRMA's Best Cars for 1992

Australia's National Roads and Motorists' Association winner for best medium-sized car.



Car Of The Year. Denmark, 1993

A powerful motor, comfort and design were among the factors determining this year's winner.



Car of The Year, Venezuela, 1993

The National Speed Commission of Venezuela chose the 626 for its styling, safety, and high-speed stability.



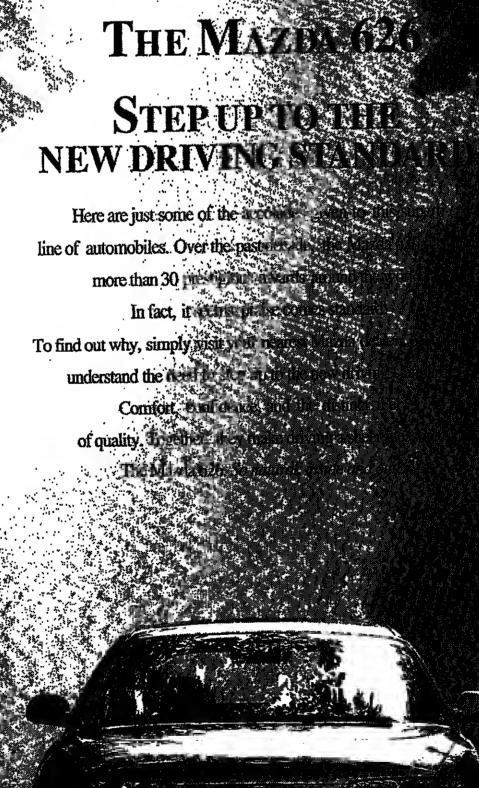


5-door Hatchback

mazpa

1 + 1

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four- and six-cylinder

versions as well as the sedan

and hatchback styles.

Best Buys of 1992 The Australian Royal Automobile Club of Victoria magazine editors chose Mazzla's 626 as the best value in the mid-size category.

Carr accelerates to

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New home for MoD personnel

The Ministry of Defence has awarded a £100m contract to JOHN MOWLEM CONSTRUC-TION for the 'shell and core' construction work at the new Procurement Executive headquarters at Abbey Wood, north Bristol.

The new headquarters will bring together staff currently boused in nine different London buildings as well as sites in Bath, Portsdown and Portland. Annual running cost savings of up to £40m are estimated along with manpower savings of a further £35m a

This contract will involve construction of the new headquarters buildings and is expected to provide a considerable boost for the construction industry and the local economy. Much of the workforce will be recruited from the Bristol area and a number of local sub-contractors will also bene-

Construction work will begin next month and is scheduled for completion in 1996. Interior fit-out work is not included and will be subject to further competitive tendering. The Procurement Executive will begin to occupy Abbey Wood from Autumn 1995 as the office accommodation becomes avail-

John Laing Construction is currently developing the infra-structure of the site and the whole scheme is being man-aged by Symonds Construction

Foundations

: \(CEMENTATION PILING & FOUNDATIONS has won new contracts worth £6m. The largest is for piled foundations for a waterside cold store development at Tilbury Docks, More than 1,800 cast in situ piles will be constructed to depths of up to 21 metres with over one third being founded in the concrete inverts of the infilled dock and lock structures.

Consultancy

TURNER & TOWNSEND has been awarded the cost consultancy role for the £55m first phase of the new beadquarters building for Scottish Widows at Port Hamilton, Edinburgh.

Restoring Welsh landmark Bracknell

A team of divers working in some of the most feared tidal conditions in the world, at depths of up to 40 ft, are helping to repair the 80-year-old Mumbles lifeboat station on the Welsh coast.

The five divers are part of a team of coocrete experts and technicians from TARMAC STRUCTURAL REPAIRS, restoring the time ravaged structure supporting the lifeboat house, slipway and walk-

The £500,000 contract is the seventh to be awarded by the Royal National Lifeboat Institution to the company for structural repair and strengthening of some of Britain's most famous lifeboat stations.

The tidal range around the Mumbles headland approaches 10 metres and the tidal currents generated in the Bristol Channel frequently allows only brief spells for the divers to work below sea level on the base of the structure, which was completed in 1914. Diving and repair crewe

operate from a barge, which provides a 14-metre long working platform with 18-metre long jack-up legs embedded into the sea bed. A mobile crane installed on

the barge lifts goods and equipment on to the working plat-The divers, working in relays

from powerful suction pumps

The lifeboat station at the Mumbles on the Welsh coast against the clock, use air lines in the sand of the sea bed. Specifically designed fabric jackets to remove sand from around the pile supports, which nre buried to a depth of six metres

are then placed around the exposed piles and filled using underwater concrete.

Automated warehouse in Barcelona

McGregor Cory, the European logistics and distribution specialist, has awarded TILBURY DOUGLAS CONSTRUCTION an £11m contract to design and build an automated warehouse in Barcelona. The multi-client facility is believed to be the first of its type in Spain, combining a 9,300 sq metres highbay store with a 11,300 sq metres conventional low-bay

Tilbury Douglas designed the

TROLLOPE & COLLS, part of

Trafalgar House Construction,

has been awarded two con-

tracts in central London worth

The largest is for two six-sto-

rey office buildings at 25 · 31 Knightsbridge for Knights-

bridge Commercial Develop-

racking and mechanical handling systems. The design, supply and installation of the computerised mechanical handling system are all part of the contract which is being carried out by Cleco as sub-contractor. Twenty loading docks are included in the design.

Goods in the main high-bay warehouse will be handled by automated computer controlled cranes linked to front loading bays. The adjoining low-bay distribution centre around the area will incorporate a con-

Designed by architects.

Hunter & Partners, one of the

buildings will be the new head-

quarters for the National

The National Farmers Union

previously occupied the six-sto-

rey building on the site which

was constructed by Trollope &

Farmers Union.

Colls in the 1960's.

trolled temperature area for storing food products. Office facilities, a fork lift truck maintenance area, and other ancillary buildings will also be provided. The warehouse will be com-

will be the first building in a new business park, whose existence is partly attributable to the distribution centre. Tilbury Douglas is working

pleted in September 1994. It

in joint venture with Spanish

In Oxford Street, Trollope &

Colls has won a £5m contract

to reclad and refurbish Wells

House at numbers 134/140 for

the Prudential Assurance Com-

pany. Precast concrete clad-ding will be removed from two

of the 1950's building's facades

and replaced with lightweight

aluminium curtain wailing.

Developing offices in Knightsbridge

BOVIS NORTH to carry out a construction management project worth £8.2m in Burnley,

Work involves a store with a restaurant, an independent pharmacy, a 650-space car park, petrol filling station and the re-design of the surrounding infrastructure.

shopping project

Bracknell Forest Borougb Council has selected HIGGS & HILL as its new development partner for the £50m redevelopment of the Easthampstead retail site in the beart of Bracknell town centre. The proposed retail development will provide around 200,000 sq ft of additional shopping and 400 covered car parking spaces with direct access off the Ring. The development will comprise two anchor users, either department or variety stores, as well as 30 smaller shop units. The scheme will link the High Street and Broadway to complete the development of the town centre giving great visual impact from the ring

The area is currently occupied by a magistrates' court, police station, post office, library and borough council

All will be relocated into new accommodation for which most sites have already been

Social housing

KIER NORTH EAST, part of the employee-owned Kier Group, has been awarded a £6.7m contract to design and build 173 dwellings at Stonegate 'A' Housing Development, Meanwood, Leeds on behalf of Leeds Federated Housing Asso-

Work has started on the project, which comprises two, three, four and five-bedroom houses, one and two-bedroom flats, shared housing units and three and four-bedroom bungalows for wheelchair users. External works include car

parking areas, boundary walls, hard and soft landscaping. footpaths, fencing, external services and drainage with completion due in July 1995.

Management

Asda Stores has appointed

Sir James Glover, the former commander in chief United Kingdom Land Forces and a

non-executive director of BP. has been appointed chairman deeignate of the as yet unnamed company which will be responsible for building and operating the new Royal Armouries in Leeds.

Christopher O'Boyle (above) is appointed chief executive designate and moves from the Prudential where be was director of professional technical and property management services. They are actively seeking funding from the public and private sectors to enable building work to start soon. The museum to be built in Leeds will hold and display a large part of the UK's collection of arms and armour its present repository, the Tower of London, bas run out of

■ Peter Carter is to become the new deputy to Stephen Littlechild, the director general of Offer, the electricity regulator. Carter, 47, is a former diplomat who dealt inter alia with fisheries policy before moving to the Department of Energy. Earlier this year, be was appointed Offer's deputy director general for Scotland. He replaces Penny Boys who is to become bead of the DTI's

personnel division.

for Amber Day Ambar Day, the discount retailer which has been racked adds: "It's most important that

by boardroom ructions for the past year, has appointed Kelth Paskins, 48, as finance director. Paskins is well known to Peter Carr, 52, an experienced retaller who took over as chairman of Amber Day in August. Paskins is a former finance director of Galerias Preciados, the Spanish stores group where Carr was chief executive from 1988-91. Before that Paskins worked on financial

managing director. Carr says the Glasgow-based chain of 52 What Everyone Wants stores would benefit from Paskins' expertise, but

systems for the stores group

Debenhams, where Carr was

he's a retailer first and then he's an accountant. It's rare to find an accountant with a merchant's attitude." Paskins takes the role

vacated by David Thompson.

who become chief executive of the company last month after a boardroom tussle which saw the departure of Stacey Ellis as chairman only seven months after he joined the discount retailer in an attempt to rebuild its shattered credibility with the City.

Thompson had been acting chief executive since the sudden departure last year of Philip Green. Amber Day's controversial chairman and chief executive.

Non-executive directors

■ The Royal Mint is increasing its number of non-executive directors from two to three, all from the private sector. The two new members are Gisela Burg, managing director of Expotus, an exporter of UK audio industry products, and Sidney Taylor, TI's director of worldwide manufacturing systems and technology.

They join Stuart Cameron, an ex-chairman and chief executive of Gallagher, the tobacco company. His fellow non-executive director, Joe Burnett-Stuart, formerly with Robert Fleming, has retired.

The Mint, which made an operating profit of £11.8m in 1992-93, became an executive agency in April 1990 and is now undergoing a Treasury review of its status. It says thera are "no current plans" for its privatisation.

■ Independent Pension Consultants, the Glasgow-based company which acts as an independent trustee of employee pension schemes, has appointed Ian Bankier its non-executive chairman. Bankier is one of Scotland's best known corporate lawyers. He resigned as partner of the Glasgow solicitors McGrigor Donald in February to pursue his own interests as a consultant to pics. He is on the board of Murray Johnstone Develop-

ment, a venture capital company which is part of the Glasgow fund management group, and advises other companies. Independent Pension Consul-

tants was set np 20 months ago by Neill Fraser, formerly with Murray Johnstone. David Bowes-Lyon, a director of Hill Samuel Scotland who ran Union Discount's Edinburgh office until it was closed last year, becomes a non-executive

■ The Altrincham-based engineering and aerospace group Brammer has appointed Robert Hough, 48, as a non-executive director, following the retirement at the June agm of Jim Barker.

Hough, like Barker, a lawyer with extensive corporate and commercial experience, is originally from the north-west, though he migrated to Bristol to pick up his law degree.

He is also chairman of the Mancbester Ship Canal company. 82 per cent of which is owned by the nationwide property company Peel Holdings, of which Hough is deputy chairman. The Mancbester Ship Canal company keeps him busy it has recently got planning permission for a 1m sq ft shopping centre at Dumpling. ton, on ship canal property.

Sir Peter Michael, former chairman of Cray Electronics. is appointed chairman of CLASSIC FM on the retirement of Henry Meakin.

The Architecture Unit at the Arts Council of Great Britain promotes public understanding of orchitecture and supports cts which increase knowledge and understanding of historical and contemporary architecture.

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Royal Institute of British Architects (Northern Region) Newcastle £4,000 Hommersmith Community Trest, London \$2,100 Royal Institute of British Architects (Wessex Region) & Bristol Centre for Advancement of Architecture \$2,000

Benedict Zucchi 59,000 for an exhibition of Gionamio de Carlo, 1993 RIBA Royal Gold Medallist for architecture Architectural Association £5,000 for an exhibition based on the late Reyner Banham's slide archive Anna Harding £5,000 to develop on exhibition looking at post-war modern British architecture Peter Blundell Jones & A3 Times £5,000 for a Hons Schoroun centenary exhibition Royal lastitute of British Architects (Housing Group) \$5,000 to develop an axhibition which examines the art of housing design Architecture Cambridge \$4,000 for Petits projets, an exhibition on French architecture Architecture Foundation £4,000 for on exhibition of young British architects Liverpool Design Intitutive \$2,500 to develop on exhibition on the design of street furniture Bocomegno-UK \$2,000 for a retrospective exhibition on the architects Alison & Peter Smithson Mational Mesonns & Galleries on Merseyside £1,500 to develop on exhibition which looks at the influence of Charles Railly and the Liverpool University School of Architecture Georgian Group Ω 1,000 to develop on exhibition on the design of present day cities and their Georgian predecessors Pippa Mansel & Anne Thome £1,000 to develop an exhibition highlighting the skills clients need to commission architects effectively

EDUCATION & THE NATIONAL CURRICULUM Building Experience Trust £3,000 for schools workshops Humpshire Education Business Partnership \$3,000 for primary education teaching material looking at architecture from Victorian times

Royal lastificite of British Architects (West Midlands) \$3,000 for a project to examine architecture in key stages of the art curriculum Cathedrals Through Touch and Hearing \$2,500 for outlin guides for visually impaired passens Accudemia Italiama £1,500 towards architecture workshops which examine Ronaissance design Povision Trust, Bextail-on-Sea £1,500 for reaching moverious interpreting the De La Warr Povision

ARCHITECTURE & THE PUBLIC Bavid Crawford £5,000 towards a project which reveals buildings to the public and stimulates interest in architectural interpretation Ikon Gallery £3,000 towards projects fostering public interest in architecture in Birmingham Public Art Forum £2,500 towards a national workshop on collaboration in design Women in Construction Alliance £2,500 towards a symposium examining equality for women in the construction industry South West Arts Bourd 52,000 towards a guide to the architecture of the South West of England MAP (Movement, Architecture, Performance) £1,325 to assist an international summer school Aldeburgh Gnerau \$1,000 rowards a series of public lectures examining the practical realisation of building projects Bristol Society of Architects £450 lowards a series of architecture lectures at the Amalini Gallary

For further information on these projects contact Rory Coonan Head of Architecture, Arts Council of Great Britain 14 Great Peter Street, London SW1 3NQ. Telephone 071 973 6469 fax 071 973 6590

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FIDELITY WORLD FUND Societe d'Investissement a Capital Variable Kansallis House Place de L'Etoile Luxembourg B3437

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the Shareholders of FIDELITY WORLD FUND, a societe d'investissement a capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de L'Etoile, Luxembourg, at 11:00 a.m. Tuesday, September 28, 1993, specifically, but without limitation, for the following purposes:

- 1. Presentation of the Report of the Board of Directors.
- 2. Presentation of the Report of the Auditor.
- 3. Approval of the balance sheet and income statement for the fiscal year ended May 31, 1993.
- 4. Discharge of the Board of Directors and the Auditor.
- 5. Election of six (6) Directors, specifically the re-election of Messrs. Edward C. Johnson 3d, Barry R.J. Bateman, Charles T.M. Collis, Charles A. Praser, Jean Hamilius and H. F. van den Hoven, being all of the present Directors.
- 6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
- Declaration of a cash divideod in respect of the fiscal year ended May 31, 1993, and authorization of the Board of Directors to declare further dividends in respect of fiscal year 1993 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
- 8. Proposal, recommended by the Board of Directors, to amend Article 16 of the Fund's Articles of Incorporation in its entirety, principally in order to delete the specific limitations in the nature of investment safeguards and to delete the description of certain of the powers of the Board of Directors set forth therein and to substitute more general language in order to provide greater discretion to the Board of Directors in determining the Fund's investment safeguards and permissible investments, and to describe more generally the Board's authority to manage the Fund's business, subject to the requirements of Luxembourg law and regulation. Copies of Article 16 as proposed to be amended may be obtained from the Fund at its registered office in Luxembourg and are helng mailed to all registered abareholders with this Notice of Meeting Approval of items I through 7 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minium number of sbares present or represented in order for a quorum to be present.
- 9. Consideration of such other business as may properly come before the meeting.

Approval of items 1 through 7 of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no mimimum ownber of shares present or represented in order

Approval of item 8 of the Agenda will require the affirmative vote of two-thirds (2/3) of the shares present or represented at the Meeting at which a majority of the outstanding shares must be present or represented; if a quorum is not present, then at an adjourned session of the Meeting, approval of item 8 shall require the affirmative vote of two-thirds (2/3) of the shares present or represented at the Meeting with no minimum number of shares present or represented in order for a quorum to be present.

Subject to the limitation imposed by the Articles of Incorporation of the Fund with regard to ownership of shares which constitute to the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

Dated: August 31, 1993

BY ORDER OF THE BOARD OF DIRECTORS.

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THE WEEK AHEAD

market.

exports (\$88bn), imports (\$48.6hn); initial claims week

ended September 11 (320,000);

state benefits week ended Sep-

tember 4; August industrial

production (up 0.2 per cent), capacity utilisation (81.5 per

cent); September Philadelphia

index; August monthly money

supply; money supply data for week ended September 6.

UK, August PSBR (£3.7bn),

unemployment (flat); July

average earnings (up 3.5 per

cent), unit wages (down 2.9 per

Canada, July marchandise exports (up 0.1 per cent on month), imports (down 0.2 per

cent on month), trade balance

(\$1hn surplus); July huilding

permits (up 2.8 per cent on month), wage settlement increases (up 1.2 per cent).

Friday: Japan, July indus-

France, Q2 GDP down 0.2 per

During the week: Japan,

WPI (down 0.5 per cent on

month, down 4 per cent on

Germany, August WPI (down

Italy, July industrial produc-

Spain, August M4 (up 13.6

per cent on year); June indus-

trial production (down 4.5 per

Emma Tucker

0.1 per cent on month).

trial production, shipments.

cent on quarter.

tion, WPI, PPL

cent on year).

year).

ECONOMICS

UK braced for inflation indicators

Ali Rems

. 22

in the US the markets will

spotlight August consumer

prices, retail sales and indus-

The most important eco-

nomic statistics and events of

the week follow. The figures in

brackets are from MMS inter-

national, the financial informa-

prices index, input (up 0.2 per

year), excluding food drink and

tobacco (up 2.6 per cent on

prices index (up 0.1 per cent on

month, up 1.7 per cent on

Spain, August consumer

Canada, August consumer

Today: UK, August producer

93

Annual % change

1990 . . 91

rates last Thursday.

Source: Datestreem

trial production.

tion company.

year).

10

UK economic figures covering inflation, unemployment and manufacturing output. With many economists predicting that inflation has hit bottom, the retail prices index

on Wednesday will be of particular interest. A commonly-held view among London-based analysts is that the headline rate reached e trough in June, when the inflation rose just 1.2 per cent year-on-year. In July it notched up to 1.4 per cent and the median forecast for

August is 1.5 per cent. The more important underly-ing rate, excluding mortgage interest payments and which the Treasury aims to hold within e target range of 1 per cent to 4 per cent, is forecast to remain unchanged at 2.9 per

Other inflationary indicators include the producer prices index today and average earnings figures on Thursday, which are published with unemployment figures on

Thursday. There are fewer figures of note in continental Europe although second quarter GDP figures for France, released on Friday, are expected to confirm that the French economy contracted, if marginally.

Germany sees little action this week following the Bundesbank's move to lower key

prices index (up 0.6 per cent on month, up 4.6 per cent on year); social pact talks con-

Norway, general election; August trade balance excluding ships (NKr3.7bn surplus). Tomorrow: US, August retail ales (flat), excluding cars (up 0.2 per cent), consumer prices index (up 0.1 per cent), excluding food and energy (up 0.1 per cent), Atlanta Fed index, real earnings; Q2 current account: car sales September 1-10, truck sales same period;

Johnson Redbook week ended September 11. Japan, August trade balance (\$7bn surplus); July machine orders; August wholesale

UK, July industrial production (up 0.8 per cent on month). manufacturing output (up 0.5 per cent on month, up 2.6 per cent on year). Wednesday: US, July busi-

ness inventories. Japan, national holiday markets closed.

UK, August retail prices index (up 0.2 per cent on cent on month, up 6.8 per cent on year), output (flat on month, up 4.2 per cent on month, up 1.5 per cent on year), excluding mortgage interest payments (up 29 per cent on year), retail sales (up 0.3 per cent on month, up 3.8 per cent on year).

Canada, August lead indicator (up 0.4 per cent on month). Thursday: US, July merchan dise trade (\$10.6hn deficit),

RESULTS DUE

CURRENCY effects should help Inchcape, the interna-tional services and marketing group, to report today a rise in half-year pre-tax profits from £117m to more than £140m. The recovery in UK car sales will he balanced by the downturn in the continental European

Continuing growth in Hong Rong will also mask more diffi-cult trading conditions in Japan, but the group will be quizzed closely over the future of China's experiment in rapid

economic development.
British Aerospace is expected to return to the black when it reports interim results on Wednesday. Analysis expect it to show a small pre-tax profit between £20m and £50m against an interim loss of £129m last time. The figures will confirm the company's gradual turnround, although

core military profits are likely to show a decline. Losses in

the civil aircraft side of the business will be covered by the hefty provisions made last Interim pre-tax profits at

Kingfisher, the retail group which includes the Woolworth, Superdrug, Comet and B&Q chains in the UK, and now Darty, France's largest electri-cal retailer, are expected to rise from £64.9m to between £72m and £85m when the figures are announced on Tuesday. The spread is largely accounted for hy different estimates of the contribution from Darty. Analysts are hoping for good news from the French husiness, and about the performance of Depot, the new DIY warehouse

Monday also sees Dalgety announcing its full-year results. Something between £119m and £123m is expected, though the pre-tax figure will

chain. The interim dividend is

expected to be lifted from 4.2p

mask e motley collection of divisional results. Agribusiness and ingredients should be good, though the consumer goods, snacks and petcare sides will probably have per-formed less well in tough and ever more competitive trading environments. The final dividend is forecast at hetween 12.3p and 13.65p for a total between 20.2p and 21.55p, com-

pared with 19.5p last time, On Thursday, United Biscuits is expected to report only e modest first-half recovery after the profits collapse inflicted by the US cookie wars a year ago. Forecasts range from £70m to £78m, compared with £70m last time. Any improvement by Keebler, the US snacks and biscuits division, is expected to be offset by margin pressures on McVitie's in the UK and a flat performance by Smiths, the Australian snacks business acquired

last year.

Brevest Food Buster Prefer Gent (S.R.)

Logica Verity Grp. Interimic

Savoy Hotel

Received Toys
Bredero Properties
Cator Grp.
Detry Peros Int. Hidgs.

Dartmoor Inv. Tet. East German Inv. Tet. English Chica Claye Lambert Howarth Grp. Metthews (Bernard)

IN THURSDAY SEPTEMBER 16

COMPANY MEETINGS: British Bloodstock Agency, Queersbury House, 128, High Street, Newmarket, 12.00

in Shope, 65, Colmore Row, Birmingham, 12.00

Also on Thursday, Laporte, the speciality chemicals group which in January snatched Evode, the chemicals and plastics group from the jaws of Wassall, is expected to report interim pre-tax profits of

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 $\omega = e^{-i \pi i \tau}$

between £46m and £49m. Last time it made £11.5m The City will be looking for signs that the group has put behind it a long period of disappointing earnings growth. There could also be a rise in the interim dividend from Tp to

7.25p. On Wednesday Taylor Woodrow is expected to swing back into the black with interim pre-tax profits of around £10.5m compared with a £16m loss last year. Lost year's loss came after a fillin provision to cover falling housing and commercial property prices and prompted the group to cut its interim dividend to 0.5p level which is expected to be maintained.

DIVIDEND & INTEREST PAYMENTS

Brik of Ireland Undeted Fitg. Primary Cap. 994-85 Birtby 2.53p Butmer (4.P.) 5.4p Chase Montrattan Fitg. Sub. '09 \$137.08 Garozentrale Bank der Ost. Spark. 125% Sub. Bds. '93 \$122.50 GMAC Australia (Finance) 15%% '93 A\$151.25 Holders Technology 2p Honeywell \$0.2225 riodes Technology 2p Honeywell \$0.2225 Honeywell \$0.2225 Honeywell \$0.2225 Honeywell \$0.225 Hydro-Quebec (12%% Ln.*15 26.375 KG Int. Trade & Fin. 7% '95 Y700,000 Kulotta Fitg. Rate Nts.*37 Y94,000 MEL Finshoe (Cur.) 84% '06 \$875,000 MS International 1.5p Raphy Gd. Fith. Bate Nts.*37 414 113 no. MS International 1.5p Regby Gtd, Fitg. Rate Nts. '97 \$14,113.06 Sapporo Brew. Fitg. Flate '97 Y884,722 Support Sew. Fig. 1888 97 1984,722 Scentronic 2.331p Starley Leisure Org. 2.8p State Bank of N.S.W. 14696 94 A\$142.50 Temple Court Mortgages (No.2) Class A2 Mrg. Fig. Rate Nts. 2031 C167.09 Time Warner \$0.08 Trizec 914% Senior Debs. '95 Ecu92.50 Woolwich Bidg, Soc. Fitg. Rate '94

Brumer Inv. Tst. 2.4p Carllon Comms. A.D.R. \$0.2849 Century Leasing (UK) 8.65% Nts. '95

£154.52

Y5 Treasury 5.3% Nts.*84 Young and Co's Brewery 9%% Deb. "IS £3.61781

WEDNESDAY SEPTEMBERS 15
Attentic Richfield \$1.376
Bandamerica \$0.35
Beer Steams Fits, Rate Nts. '94 \$91.04
Broutford & Bingley Bidg, Soc. Fitg-'96
E152.81
Extensively Com. \$2.13 Brunswick Corp. \$0.11 Bullough 1,75p Christiania Bk, Pitg. Rate Sub. '94 \$268.33

3c00-33 Do. Fley, Rate Sub. 2001 \$168.31 CSX \$0.38 Dens \$0.40 Edinburgh Inv. 3.65% Cm. Pf. 1,825p Garbnore American Secs. 11%% Db.14 Oc. 6576 Randors Gentled Filg, Sub. Cap. Dbs. 2085 \$180.17 Gushanded Export Fin. 10%% Gtd. '01 \$1,062.50 Manhard U.K. 9%% Gtd. 93 \$982.50 Midland Intl. Fin. Gtd. Fitg. Rule '99 Morrison (Wm.) 514% Rd. Cv. PC 2,625p

Newcastle Bidg. Soc. 12%% PIBS Newcasse Blug, Sur. 12 22 25,126 263,126 Penracol \$0,75 Province of Quebec 12/4% '20 25,125 Royal Bank of Canada Pitg, Reta Obs. 2065 \$81,04

Sweden (Kingdom of) 9%% 2014 \$487.50 Thomson Corp. \$0,113 Trinova \$0.17 TRW \$0.47 United Kingdom 6% Funding Loan 1993 Wells Fargo Fitg. Rate Sub. Nts. '94 \$134.17

feomen inv, Tst. inc. Strs. 5.50

THURSDAY Houstural Mart. 7%% Db. 1991/98 Do. 1014% Dh. 1862/95 52.6365 C.S.C. Investment Tst. 1.5p Eve 7.30 Kershaw (A.) 80 Do. 121/96 B Non-Cm. Pt. 1.988750 Do. 124% B Non-Cm. Pt. 1,98875p Leads Permishent Bldg. Soc. Fitg. Pate 186 STS2.81 Lloyds Bank Series C Var. Sub. Nos. 1996 STS5.10 Louistans Land & Expl. \$0.25 Pelican 1,1p Pitton \$0.42 Rank Org. 31p Sumbinder Fire

Taureton Cider 3.60 Kingdom 2% LL Treesury \$8

HI FREDAY SEPTEMBER 17 American Intl. \$0,10 Argio & Oversens Tat. 1.75p Bradford & Bingley Bldg. Soc. Fitg. Pinte Sub. VS \$18,852.19 Sub., 105 \$18,982.19
Buffelsfortsin Gold Mining R1.85
Comben 7936 Lh. Ln. 1892/97 \$1,8774
Creighton's Naturality 5.2p
Ducitey Jenkins Grp. 2.1p
Bandward Gold Mining R0.50
Groover Propriety Mines R0.30
Groover Inns 2.25p
Hankyu Fitg. Rate Nts. 196 Y90,722
Jaumine Tranche A Fitg. Rate 2003
Y1,553,835 Jaumine Tranche A Fitg. Rai 71,553,838 M & G Recovery Inv. Tat. 0.85p Do. Goland Unite 0.85p Do. Pockage Unite 0.85p St. Heiera. Gold Affres R0.85 St. Mouden Properties 0.3p Southval R2.05 Statement Gold Michael R0.30 Sisteman Gold Mining R0.30 Vasi Reets Expl.4 Mining R6.60

tern Deep Levels R2,55 II SUNDAY SEPTEMBER 19 Plensomes 515%, Cm. Pf. 1.925p United Kingdom 115% Trees. 2001/04 SS.75

UK COMPANIES

E TODAY
COMPANY MEETINGS:
British Bio-Technology, Merchant TayThosetrandia Street, E.C., Ressacre, Regent House, Ressacre Way, Liverpool, 12.00 Stonebill Hidgs, Grosvenor House Ht., Park Lane, 10.00 BCARD MEETINGS: Calgaty Daigaty Fil Grp. Fleming Emerging Market Inv. Fosters Brewing Grp. Kleinwort Development Fd. Second Alliance Tet.

UK Land Interiors:
Avocapore Foods,
Billians (J.)
British Polythene
Candover Invs.
Develiret Grp.
ISS. Sep.

Develope Grp.
EIS Grp.
EIS Grp.
Estates & General
Forth Ports
Heyecod Willeros
Inchespe
London Fortsling
Marchante Tot Marchants Ti Nestor-BNA Pendragon Premier Consolidated Oil Sharpe & Fisher Trinky Infl.

COMPANY MEETINGS:

Afficen Hume, Armoury House, Honour-able Arbitray Company, City Road, E.C., 12:00
Bogod Grp., 109-113, Chartethouse Street, E.C., 12:00
Etonbrook Properties, Churchills, Moust Pleasant, W.C., 12:00
Glibbon Lyons, 22, Coleman Fields, N., 12.00 mazoo, Mili Lane, Northfield, Bir-Ratemazzo, Mil Line, Northield, Bir-mingheni, 11,30 Matthew Clark, Clock House, London Road, Quiktind, 3,00 Porter Chadburn, Great Eastern Hotel, Universal Street, E.C., 11,15

BOARD MEETINGS: Firmis: BRM Convertible loy, British Date Manager Domestic & General Foreign & Colonial High Polypipe Scholes Grp. Interims: Bowthorpe

EBC Grp. EMESS FBD LASHIO
Lopex
Mogalian Inde.
National Express
Quarto Grp.
Russell (Alexander)
Sinel Buriff Jones Grp.
Taylor Neison
Taylor Woodrow
Torday & Carline
Trans World Comm.
Urbad Prismity
WSp Högs.

COMPANY MEETINGS Electron House, 17, Birtheads Road, Religio, 12,00 Goyatt American Smeller Co's Tst., mericus Samber Co's Tat., n House, 4, Battle Bidge Lane, Stractoron House, 4, partie Bodge Lane, S.E., 2.30 Tiphook, Royal Automobile Club, 89, Pall Mat, S.W., 11.00 Torukine, Four Sessons Hotel, Hemilton Place, Park Lane, W., 11.30 Topic Estates, 77, South Aurilloy Street, W. 11.00 fington, 12:00
Wylen Gep., Breakogham Botanical Gar-dens, Westbourne Road, Edgbeston, Bir-mingham, 12:00
BOARD MEETINGS:

12.00
London Int., Grp., Grosvenor House
Hotel, Park Lane, W., 11.30
METHE Grp., Stalte Block, Barley Wood,
Wington, Avon, 12.00
Nobo Grp., Hammonds Drive, Eastbourne, 10.00 Westport Grp., 32-36, Tellard Way, W., 10.00 YEAR, 24, Briton Street, E.C., 12.00 BOARD MEETINGS: Finals: Downing 8, Mills: Partheon latt, Photo-Me Pict Petroleum British Fittings Grp. British Moheir Hidy Britton Grp.
Davis Service
ERA Grp.
Edmond Hidgs.
Folices Grp.
Int., Foud Machinery

Kungapan Grp. Kwik-Fit Hidgs. Laporte Legal & General Grp. Manderin Oriental Murray European Inv. Tst. New City & Commercial Parambe RJB Mikring RMC Grp. Senderson Murray & Elder Scottish Heritable Tst. Sheffield Insulation United Blocuits

FRIDAY SEPTEMBER 17 COMPANY MEETINGS: English & Gledonian Inv., Christ (* 4). House, 125, West Regen Stroll, 1975, gov, 11.00 Menvior-Swaln, Southam Pena, 8 91 (*) Misys, Watermens Half, 18 % film of Hill, E.C., 12.00 PSIT, Butchers Hall, \$7, Gardello to a Close, E.C., 12.06 Close, E.C., 12.00
Radiant Metal Finishing, 60, First Proced, Bow. E, 10.30 Road, Bow. E., 10.30
Ransom (Wan), 104, Bandott, chilling Hers, 3.00
Tinsley (Bizzi), Birmingham Charter of Commerce & Industry, 75, Harberts Road, Birmingham, 11.30
BOARD MEETINGS;

Woteh Industrial Inv. Tst. Interims: Hornby Grp. Megnolla Grp. Martin Currie Pacific Nth. Atlantic Smaller Proudfoot

Company meetings are annual general meetings unless otherwise stained Please note: Reports and acctuate on not normally available until input or dispose weeks after the board meeting is approve the preliminary results.



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ant of Cougain ? SEPTEMBER 14 The Future of European Securities Trading nce to exactine the issues Major conference to examine the issues arising from the lategration of European Securities Marksis. Speakers include: Chairman of the Loados. Perls, Amsterdam, Frankfurt and Luxembourg Stock Exchanges; and scool representatives form Mercuty Assel Management and Lombard Odier.
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OCTOBER 11-12

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Convened by The RIIA, in association with The Centre for Foreign Investment Privatisatino, Moscow, Petrolento intelligence Weekly and Russian Strategic Sorvicex Ltd. Enquirles: RilA Servicex Ltd. Coolerences. The Royal Institute of International Affairs, Chadham House, 10 St James's Square, London SWIY 4LE Tel: 071 957 5700; Fax: 071 957 5710 LONDON

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Governance goes global

Martin Dickson reports on the spread of shareholder activism

n the annals of business his-tory, 1993 may go down as the year that shareholder activism went global.

Over the past few months, at annual meetings around the globe. boards of directors have found themselves facing sharebolders who take an active interest in the performance and management of the business - and are willing to cast votes against executive resolutions with

which they disagree.
This so-called "corporate governance" movement began in the US about a decade ago and bas also become well established in the UK. But it has only begun to put down strong roots in continental Europe and Japan in the past couple of

A significant landmark came last December at the annual meeting of the German energy conglomerate RWE, when a German shareholder association's resolution for a oneshare, one-vote ballot system was strongly supported by the California Public Employees Retirement System (Calpers), one of the most forceful leaders of the US corporate governance movement

A new report from the Washington-based Institutional Shareholder Services, an independent group which advises large investors on corporate governance issues, says the RWE case is a prime example of an important emerging trend in shareholder voting patterns.

Indigenous shareholder groups are growing up in many countries ranging from relatively new ones in Australia and Japan to more established European groups - and these



son's egm in London last June; a victory for sha

are being supported in "proxy" (sharebolder voting) matters by increasingly active (and largely USbased) global institutions.

"These groups are beginning to find common ground on a wide range of corporate governance issues, and their efforts hove brought these issues to the top of many an agenda," says ISS.

The report is an example of the increasing sophistication of international shareholder voting. It is the first of a regular quarterly series in Other examples of international action during the period include: protests by the pension fund for local employees of Caterpillar, the US beavy equipment company about dividend policies at the shareholder meeting of Nestlé, the Swiss foods group; and the defeat of a proposal giving the board blanket authorisation to issue capital at the Dutch chemicals group Akzo. The survey notes that a signifi-

cant factor in the rise of the global movement has been the greater effi-ciency of global custodian banks, whose local affiliates are the holders of records for clients' shares. They have been putting more effort into obtaining proxy voting materials and English-language meeting agendas, and then taking responsibility for executing votes according to investors' wishes.

However, the report also points to a problem facing investors in Japan, where 90 per cent of listed companies hold their annual meetings on the same day in late

This year an unprecedented number of foreign institutions tried to cast votes on this day, yet many of the negative votes cast were never tallied at the meetings. Institutions whose votes were "lost" include Calpers, which is looking for answers.

ISS says this strengthens the view of many foreign institutions that their votes are not being handled properly in Japan. "This is most likely true," it adds, "but as much for reasons of unfamiliarity on the part of Japanese banks as outright

but Cadbury leaves a bitter taste

Thile the corporate gover-nance handwagon is gaining momentum worldwide, signs of resistance are emerging In Britain.

The problem is not apparent from the numbers. A survey updated last week by accountants Coopers & Lybrand showed that of the 87 FT-SE 100 companies producing annual reports for financial years between December 1992 and April 1993, a record 90 per cent now make disclosures on the subject.

More than 72 per cent also provide some sort of statement of compllance with the code of conduct launched last December by the Cadbury committee on the figancial aspects of corporate governance. This is during the period before a statement of compliance became mandatory for quoted companies for year-ends after last June.

But a number of the reports express misgivings. Commercial Union warns that implementing some aspects of Cadbury's recommeodations "may lead to excessively elaborate procedures and disappointed expectations".

"Most of the advice has been long on accountability and sbort on encouraging efficiency and enterprise," writes Lord Hanson dismissively in his chairman's statement. BTR reports: "The introduction of a code, however well-intentioned, cannot ensure integrity or compe-

There are greater concerns among smaller quoted companies, many of which complain the code is too costly or irrelevant for their

which ISS will review proxy voting

trends around the globe, country by

June quarter - the peak season for annual meetings around the globe -

and says the most spectacular inter-

national corporate governance

event was probably the successful

fight by investors in the UK and US

to prevent Britain's Hanson group

nominate directors and amend cor-

restricting shareholders' ability to

This report covers the April to

The majority of companies want to be seen to be endorsing Cadbury whole-beartedly." says David Pimm, director of Coopers' corporate governance support unit. Bot he adds that many have had difficulties interpreting the code's guidance on how to define "independent" non-executives, for instance.

Some are also concerned about elements of the code, such as the danger that the provision for nonexecutives to take independent professional advice may represent "a blank cheque".

Most important, under pressure from industry, guidelines bave been delayed on reporting two of the most vital elements of the code - the statement on internal controls and on whether the company is a "going concern". There have been more than 17 drafts of the first of these and they are unlikely

to be issued until early next year. The London Stock Exchange which can threaten to de-list companies failing to provide a statement of compliance with the code has reassured company directors that they will not have to comply with these aspects until the guide lines are released.

Andrew Jack

TIPS FROM THE TOP

When commitment heads the agenda

In a new series, Sir Richard Greenbury of Marks and Spencer offers advice on conducting a board meeting

he most important factor governing a successful board meeting is the quality of the board itself. If the members of the board are all people with a strong commitment to the company – and a real knowledge and experience of its operations then constructive discussion will be possible and sound ns can be reached.

The balance of the board is also crucial and requires the right number of "heavyweight" non-executive directors to bring an independent viewpoint, experienced judgment and knowledge not available within the company. They must have range of skills complementary to the expertise of those who have made their careers within the

Board meetings must be well-organised, held at regular points in the calendar, and the lates agreed formally at least six months ahead so that no one misses a meeting other than for exceptional reasons. Board meetings can take a long time. so air-conditioned boardrooms, comfortable seating arrangements and modern presentation systems

are also important. There should be a clear agenda determined by the chairman; all relevant papers should be circulated in good time so that everyone comes to the meeting fully prepared. Indeed members of the board submitting proposals for discussion as formal papers sbould sound out their colleagues privately beforehand, thoroughly

explaining their ideas.

Board meetings must not be solemn affairs, although they should always be businesslike. There is a place for humour in the boardroom which helps one and all to keep a sense of proportion. Everyone should respect the authority of the chairman, but there is no need for every remark to be addressed. 'through the chair" which tends to stiffe discussion.

The most fundamental requirement of a good board



In arriving at clear, agreed policy decisions the discussion must be completely free; indeed the more controversial the better, provided it is within the bounds of courtesy

meeting is that everyone he encouraged to participate and allowed to express his or her views frankly and openly. In arriving at clear, agreed policy decisions the discussion must be completely free; indeed the more controversial the better, provided it is within the bounds of

ourtesy. If debate is lengthy the chairman should sum up the main arguments before requesting a decision. Should a vote be necessary, which hopefully is a last resort, the chairman should be the last one to declare his

Once a formal decision is reached, directors are bound by law to abide by it. But it is equally important that they also give full and whole-hearted support. Minority views must be forgotten and for this reason particularly every member of the board needs to voice his or her opinion during the meeting, particularly if it is contentions

Board meetings should be confined as far as possible to taking strategic and policy decisions. Short separate weekly meetings of executive directors can deal with all sorts of matters which otherwise would tead to clog up the board meetings. These would include the current progress of the business, any topical issues and the day to-day running of the company.

Much can be done between board meetings by sub-committees of board members, supplemented by the relevant experts (for example, for capital expenditure, information technology and personnel). These sub-committees should be given the anthority to act withio strict terms of reference, reporting the action they have taken or requesting approval for significant decisions.

There is no absolute magic formula. Every company has its own culture and metabolism. and different types of business require separate types of management style and approach from the board. Nevertheless all board meetings have the same objectives and responsibilities towards shareholders, staff and customers and therefore must be conducted with total integrity as well as

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SPA will contribute the property to be managed into a company established for this purpose and secks, by this tender invitation, an experienced entrepreneur with the necessary capital power who can provide the cash portion needed for the establishment of the Company.

Cash needed for being awarded with the property management is at least 2,000 million Hungarian Forints.

The objective of this tender invitation is to stop the further decline of the firms to be managed to stabilize their position, to impede the deterioration of the assets, to start a diversification as well as to keep up long-lasting, viable industrial culture; a further goal is to establish a modern, industrial innovation park without burdening the environment, making use of the existing facilities, in co-operation with the central and local governments.

The State Property Agency takes the obligation to let utilize the privatization income of the companies to be managed to cover the restructuring expenses of themselves. In the case of profitable performance of the companies, the property manager will obtain annually 5% of the SPA stock block

The subject of the tender

	Own capital HUF M	Registered capital HUF M	Sbare of %
CSM Metal Works Ltd Csepel Pipe Pactory Ltd Csepel Computer Technology	4,609 4.400	2,200 1,600	100.0 96.6
Csepel Computer Technology and Undertaking Development Ltd Csepel Forge Factory CSM Training Company	93 183 46	60 400 14	- 100.0 100.0 100.0
Total	9, 326	4, 276	***************************************

The winner of the tender will have an indirect disposal right to a 69.13% stock block of the HUF 1, 594 million value Csepel Power Plant Ltd, as well as 65.8% of the shares of the HUF 39 million value CSM Industrial Association.

The sales revenue of the above firms in 1992 was about HUF 12.139 million. The total employment was in 1992 approx 5,100

Conditions of tender submission

The tendering procedure will be performed on the basis of the Tender Rules of the SPA. Details of the Tender Invitation and Information Memorandum of the listed companies can be obtained from CMS Management Consultants Ltd which is 1159293, (361) 135-5573

Conditions

Certificate about the availability of the cash needed.
Accurate meeting all rules of tender submission.
Purchasing of the tender document (price HUF 50,000) and signing a secrecy statement.
Certificate on the transfer of HUF 10 million or USD 100,000 as retention money in Hungarian Forints to the SPA No. 232-90107-8024, or in foreign currency to the account of the SPA No. 232-90107-8031 in the National Bank of Undertaking a binding period of at least 90 days.

Submission of the tender

Location: State Property Agency, Registration Office (Pozsonyi ut, 56: Budapest H-1133).
 Form: In writing, in Hungarian language, in 5 copies marking one of them as original "credeti", in sealed envelope without the letterhead of the tenderer labelled "Csepel Vagyonkezeles". Deadline: October 28, 1993, 12:00 o'clock, noon.
 The opening of the tenders will be performed in a private sitting, in the presence of a notary, on October 20, 1993, 1:00

For the evaluation of the tenders, the SPA will establish a special committee.
SPA has the right to request oral or writtee supplements after opening the lenders.
SPA reserves the right to declare the tendering procedure unsuccessful.



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Architecture/Colin Amery

Council misses the point

sense a new harmony in the air. Peace accords between formerly intransigent enemies in the Middle East hring an important sense of hope into the world. Will this optimism bring about a sense of rejuvenation instead of conflict in the world at large? Governments are speaking much more of collaboration between sectors of society rather than confrontation.

Only last week the British government talked of restructuring the urhan programme with one co-ordinator, in the shape of Mr John Wakeham, to unite and rationalise all the urban inner city initiatives which have recently flowered in a glorious garden of incoherence. The reconstruction of the cities of Britain needs not just a solid alliance between the public and the private sectors hut also a sense of unified direction that is clearly missing at the moment.

It is hard to get the measure of the assured Mr Selwyn Gummer at the Department of the Environment - I detect that he has a high level of concern for his surroundings, not least because he lives in a house designed by S. S. Teulon, one of the most sophisticated and difficult Victorian architects. I wonder whether he will be able to withstand the biased blandishments of the architectural establishment or will he listen to the architects' customers

and consumers? The need in Britain now is not for another development boom that will again take scant regard of the needs of the community, but for a measnred and harmonious approach to planning and development in response to

some long-term goals.
in the interests of bridge building and harmony and the encouragement of the architec-

be business of archlving

up-to-the-minute in novelty and rele-

vance, it is unfashionable to point

oot that there is also a case for pres-

erving those thought to have historic

value - the Royal Opera's Tosca' and

Don Carlos come to mind.

Perhaps a start is being made. To open the new season, the Royal Opera is bringing back its old produc-

tion of Madama Butterfly. No reason

has been given. It may be that its intrinsic quality makes it a special

case. More likely, its replacement

was deemed unworthy of further revival. Either way Sophie Fedorov-

itch's sets from 1950 had fortunately

been kept in a warehouse and now

A Slice of Saturday Night hy the Heather Brothers has joined the long

list of musical shows now running in

London's West End and may well stay

for some time. The best non-sung line

comes at the end when Dennis Water-

man, playing the ageing club-owner,

bouncer and performer, Eric "Rubber

Legs" De Vene, says of his establish-

ment: "It's one of life's big finishing

Certainly that's the way it seems.

Peopls in the 1990s look back at the

1960s just as people who grew up in the 1950s looked back at the 1920s:

nostalgia for a romanticised age. Slice

does not quite repeat the old songs. It

consists of a series of derivatives.

some of them mildly satirical. It also

has just the touch of a clever plot: an

Theatre/Malcolm Rutherford

A slice of Saturday night

look fresh and nicely stylised.

opera has hardly begun in

earnest. At a time when pro-ductions are expected to be

tural debate it is worth exam-ining one of the government's more dubious ways of encouraging good architectura through the Arts Council's £200,000 grant programme.

More than a quarter of this money this year has been awarded to one London body, The Architecture Foundation, which is really a centre for fairly arcane exhibitions. A great many of the smaller grants go to the predictable crop of old fashioned Modernist promoters.

An example of the wisdom of the Arts Council is the decision to give a modest £1,500 to workshops on the Italian Renaissance and £5,000 for an exhibition about post-war British architecture.

There is practically nothing for architectural history of any serious kind, nothing to help the development industry encourage better design in private housing, but there is the inevitably politically correct donation to the Women in Construction Alliance.

There is an obsessive belief in the minds of art hureaucrats that if there is a hint of public interest in a subject then you must set up a "centre" for it. English Estates has been prevailed upon to give £30,000 towards studies for the establishment of nine architecture centres throughout England.

It is staggering that no grants are given to televi-sion, radio, video or other contemporary media that could spread the word about architecture without the need for offices, personnel, endless committees and the inhreeding of art bureaucrats that architecture "centres" will inevitably

The pointlessness of so much that this architecture unit has so far achieved seems to make It an ideal candidate for Mr Portillo's public spending cut-ting knife. It will be oo loss.

I was fascinated to read that "the majority of people in Britain know next to nothing about architecture" and only 13 per cent of the 1,000 people questioned by Gallup for the Riba Journal, could name three architects. Sir Christopher Wren was recognised as an architect by 32 per cent of the respondents.

This poll asked loaded questions to encourage the continu-ing protection of the archibect's title. How would you answer the question, "Do you think that anyone should be able to call themselves an architect, regardless of qualification?" Of course you would answer "No". But the deregistration of architects currently under consideration does not suggest that anyone can practice "regardless of qualification". If you ask the right questions you get the answers you want.

exhibition of the work of that neglected genius of British architecture - Beresford Pite (1861-1934) which opens on 16 September at the Riba Helnz Gallery, 21 Portman Square, London W1, until 23 October. He was a bridge builder in the sense that his brilliant and more or less unknown buildings attempted to fuse the virtues of Classical and Gothic design in the modern city. He also had a vision of the city and of the need for wholeness and harmony in architecture.

inspiration and harmony - not

endless repetitions of fashion

able and irrelevant nostrums.



Pite's drawing of St Alban's church, Holborn, is at the Riba Heinz Gallery

Opera/Richard Fairman

Madama Butterfly

After a production which had Butterfly hving in a squalid, modern ten-ement block, they make one realise how important the right time and place are in this opera. The social background of turn-of-the-century Japan is essential if Butterfly is to be an outcast, left to live and die alone. The very privacy of her feelings is what the character is about and it is an irony that Puccini's music should come from the most outgoing, emotive operatic style of all: therein lies the opera's great emotional tension.

At least, in a good performance it

unattractive youth, played with the

utmost professionalism by Peter Hep-

pelthwaite, wagers that he can make

Frigid Bridget (Judith Ellis) before

the night is out. He doesn't.
The young pop star, Sonia, sings

and plays the 17-year-old Sue with

huge assurance. On the first night an

audience of all ages was delighted,

especially in the second act. It is dur-

ing the interval that the show takes

Lust, the musical of The Country

Wife, running at the Haymarket.

Tomorrow comes the revival of one of

the biggest 1960s musicals of all: Hoir

Strand Theatre, London

(071) 240 0300

The Heather Brothers already have

should feel like that. This one, though better technically than the Royal Opera's previous revivals, was unmoving, After some of the Puccini conducting beard at Covent Garden of late, Carlo Rizzi's generally idiomatic feel for the score was a step in the right direction. He likes a firm and concentrated Puccini sound and the orchestra played well for him. Diana Soviero is an American soprano with an Italian-sounding name and voice, like Anna Moffo

before her or Catherine Malfitano

(also a Royal Opera Butterfly) today.

The number of times she took hreaths to prepare for e top note suggests some degree of strain in tackling the role; otherwise she has sufficient power for it, a cutting edge to the tone, the ability to make the words tell. But I was always aware of a singer and actress at work. Her predecessor here. Yoko Watanabe, was natural and infinitely more

Arthur Davies was again Pinkerton, singing a little more freely than before, though he continues to look measy in the role. Alan Opie joined

him as a mellow, thoughtful Shar-pless, both of them sounding over-parted in the first act (their roles were taken by Zenatello and De Luca at the premiere, rather more forceful

final shock-horror tableau. If there would surely have preserved something more affecting.

Italianate volces). Anoe-Maris Owens's Suzuki alone is all heart, losing none of her warmth in the transfer from English National Opera. To come out of Madama Butterfly and not even to have thought of shed-

ding a tear is a bad sign. The staging by Richard Gregson is said to be new, but it keeps to the obvious until the end, when Butterfly flings her screen aside and writhes around in agony on the floor for all to see, providing a was an archive film from 1950, it

is not as focused or concentrated as the professional groups, but it has a natural feel to it. Byrd is hardly likely to have heard his music sung by bands of hand-picked, well drilled, potential soloists. Under the direction of Stephen Cleobury, its director of music, the choir gave mostly

again at Friday's Prom in a

selection of Byrd's early Latin

pieces came as quite e eur-

price, not necessarily an unpleasant one. The tradi-

tional college sound (sweet tre-

ble tone, youthful light basses)

Promenade Concerts

Beethoven rolls

over for King's

he tradition whereby

the penultimate night of the Proms wes

given over to Beeth-

oven's Ninth Symphony seems

well and truly broken. It has to

be right that other composers

occupy this prestigious date

and the choice fell this year on

two of England's finest, Byrd

being the more venerable by

cathedral and college choirs of

Tallis Scholars and the Six-

teen, have risen to dominance

and Purcell

It also – surprisingly – marked the first ever appearance at the Proms by the Choir of King's College, Cambridge.
One venerable English institution weets another the choir tion meets another, the choir tidy and sensitive perfor mances of the Byrd and Pur some centuries as it dates back to the time of Henry VI. (Interesting to note that the residencell's Come, ye sons of art. The King's style has never involved tial choir school at King's and much digging for expression the Royal Albert Hall both date and its Purcell was on the war eide, light, styllsh, agreeable on the surface, but needing a blt more straightforward There is a point to this his-torical background. For decades after the war, and punch. Of the soloists, Stephen Varcoe hit into his words with most determination.

In between, London Baroque under Charles Medlam played Handel's Concerto Grosso Op.6 No.6 and accompanied the soprano Lynne Dawson in his motet Silete venti - well cootrasted pieces, which gave a relatively long programme plenty of variety. Beethoven was not missed.

in recordings.

To hear the King's choir Richard Fairman

Lit from within by Tortelier

t the Proms last week, the BBC Philharmonic's programme might L have been designed to show off its newly dazzling prowess - and Why not? From 1934, it used to be the "BBC Northern Symphony" (though the Proms programme-book preferred not to mention that: too reminiscent, no doubt, of routine Radio 3 hroadcasts at unfavoured hours). More recently, up to last summer. Sir Edward Downes - a great orchestral trainer - re-made the band entirely; and on Thursday, Yan Pascal Torteller found himself conducting a

brilliantly capable orchestra. Tortelier'e father was the great French cellist, Paul. Among conductors in Britain today, only Yan Pascal (and on good nights, the American Andrew Litton) can boast so etylish a command of the repertoire. That label is e loose one, covering disparate post-Saint-Saëns endeavours - but distinctively French - from old Fauré (a Saint-Saens pupil) through Debussy, Ravel and Roussel to "Les Six", Poulenc among them, and even to Dutilleux. Tortelier has the clue to all that: light-handed poise, precision in rhythms and colours, transparency, a minimum of expressive" rubato. In Debus-

sy's Ibéria those virtues triumphed, in a performance where scrupulous preparation was no less evident than the individual subtleties of the BBC Philharmonic's strong team. Tortelier made his effects, or rather Dehussy's, with super-honed tact and grace; they arrived naturally, hnt always with ping. The music seemed lit from within; one heard some of the innervoice parts and punctuations

That was intermittently true of Ravel's two-hand piano concerto too. If not every sly joke came off, more than enough of them did (well beyond par for this tricky score). The orchestra fairly sizzled, and the sololst Jean-Bernard Pommier tried out any number of pithy, personal ideas. In both those works, however, I kept missing the first violins.

From the FT's regular Albert Hall seats, and probably from any seats in Stalls Left since the scho-killing "acoustic mushrooms" on the ceiling were trimmed back last summer, what one sees of the violins is chiefly their right shoulder-blades - and what one hears of them, turned almost 90 degrees away, is faint and elusive.

In Lutoslawski's flashy, exhilarating Concerto for has no great opinion of it now). the only fault to find with this Prom performance was that the high strings' silken pas-sages - from where I sat -carried so little weight amid the wind onslaughts.

That left the music with a hard, brassy edge, rawly exciting (it got a fervent reception) but chilly nonetheless. As for Leo Brouwer's guitar-and-orchestra arrangements for Julian Bream, of three numbers from Albéniz's wildly pianistic Ibéria Suites, 1 wished 1 had heard them on Radio 3 at home. The piano originals are chock-a-hlock with notes; Brouwer's orchestral translations are apt and sympathetic in principle, but in the Albert Hall they swamped Bream's guitar again and again. They should work far better on CDs.

David Murray

INTERNATIONAL

■ BERLIN

BERLIN FESTIVAL

 This year's theme is Japan and Europe. Zeami-Za Noh Theatre Is in residence at the Deutsche Oper from Thurs till Sun. Tha Tokyo Ballet begins a three-week residency next Tues with the first European performance of a new Béjart work inspired by mythology. Martin-Gropius-Bau has an exhibition entitled Japan and Europe 1543-1929, with more than 500 objects tracing the development of Japanese art and the influence which Japanese and European artists have had on each other. This week's concert programme is dominated by two Berlin Philhamonic performances of Bruckner's Eighth Symphony, conducted by Klaus Tennstedt at the Philharmonie on Wed and Thurs. Roger Norrington conducts the Chamber Orchestra of Europe and the RIAS Chamber Chorus in an all-Mozart programme tomorrow and Thurs in the Kammermusiksaal. Sat: Milan Horvat conducts Berlin Radio Orchestra and Chorus In

all-Stravinsky programme. Sun (Kammermusiksaal): Yo Yo Ma plays all Bach's works for cello, starting at noon. Sun evening: Maurtzio Pollini plays Beethoven piano sonatas. Next week's concerts feature Claudio Abbado, Andras Schiff, Garrick Ohlsson and Julia

Varady At the Schausplelhaus, Michael Schoerwandt conducts the Berlin Symphony Orchestra on Thurs, Fri and Sat in works by Rimsky-Korsakov, Shostakovich and Nielsen, with violin soloist Dmitry Sitkovetsky. A concert by the Cracow Philharmonic on Sun morning includes Szymanowski'a Second Symphony. The festival runs bil Sep 30.

The festival office is at Budapester

Strasse 48 (information 254890

ticket reservations 2548 9100)

OTHER EVENTS Francisco Araiza sings the title role in Lohengrin on Wed and Sat (also Sep 21 and 24) at Staatsoper unter den Linden, where repertory also includes I Capuleti e i Montecchi and a Béjart ballet evening (200 4762). Harry Kupfer'a new production of Rimsky-Korsakov's Tsar Saltan can be seen tonight at Komischa Oper, where repertory includes German-language stagings of Cay and Pag, Les Contes d'Hoffmann, Gluck's Orfeo and Handel's Glullo Cesare (229 2555). Theater des Westens has a new production of Cabaret, first night on Fri, with previews tomorrow, Wed and Thurs (3190 3193). Susan

Sontag's play Alice in Bed, a

biographical fantasy about Henry

James' tragic sister, receives six

performances at Hebbel Theater

starting on Wed (251 0144). The ensemble of the Deutsche Oper is in Japan till mid-October

■ NEW YORK THEATRE

 The Hamlet Festival: a series of events built around the second-quarto version of Shakespeare's play directed by Randolph Curtis Rand. Also featured are Tom Stoopard's play Rosencrantz and Guilderstein are Dead, weekend cabaret performances of Arden Party's Hamlet solo and Gertrude's Revenge by Janice Hoffman. Till Sep 26 (Various venues, 420 1466) The First Luke Eric Bentley's

version of the Wedekind play, presented by Jean Cocteau Reportory (Bouwerle Lane Theatre, 330 Bowery at Bond St, 677 0060) Later Life: A.R. Gumey's new play about the reunion after 30 years of a man and woman who were once in lova (Westside Theatre, 407

West 43rd St, 307 4100) Shakespeare For My Father. a marvellous one woman show in which Lynn Redgrave views her own life in a search for her unloving father Michael Redgrave, plus reminiscences, impersonations and passages from Shakespeare (Helen Hayes, 240 West 44th St, 944 9450) Angels in America: the first half of Tony Kushner'e epic, freewheeling play about gay life, Reagan-era politics and Mormonism. Not to be missed (Walter Kerr, 219 West 48th St, 239 6200) Annis Warbucks: Kathryn

Zaremba, an infant phenomenon

if ever there was one, has the title

role in this beguiling sequel to the

musical Annia (Variety Arts, Third Ave at 14th St, 239 5200) The Sisters Rosensweig: Wendy Wasserstein's play, a comedy with

A slice of the Sixties; Sonia and Danny McCall mix nostalgia and satire at the Strand Theatre

serious undertones, about tha reunion in London of three American Jewish sisters (Ethel Barrymore, 243 West 47th St. 239 6200) Kiss of the Spider Woman: a Kander and Ebb musical, based on the novel by Manuel Puig, directed by Harold Prince, with a star performance from Brent Carver (Broadhurst, 235 West 44th St, 239 6200)

OPERA State Theater New York City Opera's first new production of the ison is Tippett's The Midsummer Marriage, conducted by Christopher Keene and staged by Francesca Zambello. This week's repertory also Includes Turandot, Madama Butterfly, Carmen and The Mikado

(870 5570) Metropolitan Opera The 1993-4 season opens on Sep 27 with a gala celebrating the 25th anniversary of the Met debuts of Luciano Pavarotti and Placido Domingo (362

60003 CONCERTS Avery Fisher Hall The New York Philharmonic Orchestra launches its new season on Sep 22 with a Beethoven and Shostakovich programme conducted by Kurt Masur, with violin soloist itzhak Periman (875 5030) Carnegie Hall The season opens on Sep 23 with a concert by the Philadelphia Orchestra conducted by Wolfgang Sawallisch, with violin soloist Midori (247 7800)

Blue Note Beginning tomorrow,

a double-bill featuring drummer Billy

JAZZ/CABARET

Cobham and his trio, and the Larry Coryell duo, with guitarists Coryell and Vic Juris (131 West 3rd St, near Sixth Ave. 475 8592) Carlyle Hotel Beginning tomorrow, the Caryle welcomes back Barbara Cock, Broadway ingénue turned cabaret legend (Madison Ava at 76th St, 744 1600) Michael's Pub Beginning tomorrow, Mel Tormé begins an engagement. His two great treasures are his

resilient, rhythmically agila voice

songbook atandards, all good old-fashioned entertainment (211

and his collection of American

East 55th St, 758 2272)

■ PARIS MUSIC/DANCE

 Charles Dutoit conducts the Orchestre National de France tonight at Théâtre des Champs-Elysées in works by Ravel, Bartok and Rakhmaninov, with violin soloist Shlomo Mintz (4230 1516) The 1993-4 season of that

Orchestre de Paris opens at Salle Pleyel on Wed with a Richard Strauss programme conducted by Semyon Bychkov, featuring Maria Ewing in the final scene from Salome (repeated on Thurs and Sat afternoon). In next week's programma, also devoted to Strauss, Margaret Price is soloist in the Four Last Songs (4561 0630) A new production of Der fliegende Hollander, conducted by Myung-Whun Chung and staged by Werner Herzog, opens the season at Opéra Bestilla on Sep 23, with a cast led by Falk . Struckmann and Sabine Hass.

Roman Polanski's production of

Les Contes d'Hoffmann is revived

on Oct 9 with David Rendali in the titla role (4473 1300) The Châtelet opens a Richard Strauss cycle on Sep 24 with tha

first of five performances of a new production of Der Rosenkavaller, conducted by Armin Jordan and staged by Adolf Dresen. The cast is led by Felicity Lott, Randi Stene and Kurt Rydi, and the orchestra is the Philharmonia (4028 2840) The dance season at Palais Garnier opens on Sep 29 with a gala featuring choreographies by Bessy, Lander and Forsythe (4742

FESTIVAL D'AUTOMNE The festival opens on Sep 21 with Bob Wilson'e stage adaptation of Virginia Woolf's Orlando starring Isabelle Huppert. The production, first seen last year in Lausanne, runs till Oct 24 at Odeon-Théâtre de l'Europe (4441 3636). Mauricio Kagel's Variété, described as a concert spectacle for artists and musicians, runs from Seo 22 to 25 at the Opéra Cornique in a staging by Werner Herzog (4286 8883). The festival, which runs till Dec 30, also includes Büchner's Wozzeck staged by Jean-Plerre Vincent, Giorgio Strehler's touring production of Goldoni'e Le baruffe chiozotte and Peter Sellars' modern English-language version of Aeschylus' The Persians. The dance programme features Twyla Tharp, Lucinda Childs, Bill T. Jones, Jan Fabre and Anne Teresa de Keersmaeker. The music programme has an American slant, with a special focus on Steve Reich, John Adams and John Cage (Information:

ARTS GUIDE

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Natharlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide

European Cable and Satellite Business TV (All times are Central Euro-MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230 Monday Super Channel: West of Moscow 1230. Super Channel: Financial Times Reports 0630 Wednesday Super Channel: Financial Timas Reports 2130 Thursday Sky Newa: Financial Timaa Reports 2030: 0130 Friday Super Channal: European Business Today 0730; 2230 Sky News: Financial Times Reports 0530 Saturday Super Channel:

0930 Sky News: West of Moscow 1130; 2230 Sunday Super Channel: West of Moscow 1830 Super Channel: Financial Times Raports 1900 Sky News: West of Moscow 0230; 0530

Financial Timaa Reports

Sky News: Financial Times Reports 1330; 2030



ments might have the higgest potential impact on kets? Experts typicslly cite PERSONAL innovations VIEW such as exotic derivative in-

struments or asset securities. tion or greatly expanded international trading activity. But in the US at least, arguably the most significant development is the enlarged role of the household sector as a financial risk taker.

Millions of people have branched out from passively holding bank deposits and indi rectly owning securities through sucb intermediaries as pension funds to becoming direct participants in financial markets - and thus are exposed to risks beyond those they are accustomed to.

in 1978, American individuals, farmers and small husl-nesses beld about 40 per cent of their total assets in deposit form. By the first quarter of 1993, the share of deposits and money funds with no capital risk had dwindled to 24 per cent of total financial assets, in 1978 Americans held only about a third of their total financial assets in instruments directly carrying market risk: 19 per cent in common stock, 7 per cent in bonds and 6 per cent in miscellaneous assets Only 1.2 per cent was invested in mutual funds of any kind. Today, assets directly carrying capital risk account for almost 40 per cent of total financial assets. Of that, 16 per cent is in common stocks, 9 per cent in bonds and 7 per cent in miscellaneous assets. Equity and bond mutual funds bave

surged to 7 per cent. Mutual funds continue to mushroom - up by an esti-mated \$22bn (£14.6bn) a month so far this year, a third higher than last year's monthly average and four times the \$5bn monthly average posted as recently as 1990. Mutual funds represent the largest institutional buyer of American equities and of tax-exempt municipal bonds, and they rank high

as buyers of taxable bonds. The other significant shift in household portfolios has been the steady expansion of retirement funds. Back in 1978, a fifth of household total assets was invested through pension plans, mostly defined benefit plans for which the sponsoring employer bore the ultimate capital risk on investments. At present, pension fund reserves have risen to about a third of

Age of the risk taker

The changed habits of individual investors have raised volatility

total household financial

assets. But an increasing share of those funds represents defined contribution plans, where the worker bears the capital risk on the investments not the employer. Defined benefit retirement plans, which tend to be sponsored by the same large corporations now engaged in restructuring, are shrinking. Over time, a shift toward defined contribution pension plans will leave affected retirees with greater financial uncertainty. Retirement income will depend not only on the type of investments in the plan hut also on market conditions when retire-

Personal consumption - a stable economic component - will be more cyclical

ment takes place, a significant risk to the retiree.

What are the ramifications of these changes? First, the shift away from deposits, like the shift away from defined benefit retirement plans, is a transfer from ohligations assuring the nominal capital value of the assets to those whose future values are unknown.

Mutual funds see-through institutions, taking no risks of their own. Risk and reward are passed on to fund holders. Banks, in contrast, provide stated returns and interpose their own capital to take additional risks. But mutual fund investors may not appreciate all the risks they are taking on. They may act quite unpredictably if a sudden market upheaval dramatically reveals the true risk.

Second, a large increase in money rates will surely induce significant shifts hack into

deposits and money market funds. This may provoke far greater and quicker declines in the value of equities and of bonds than in prior decades, when longer maturity ohligations were largely in institutional portfolios. The economic

impact should also be quite abrupt. In this new financial world, changes in stock and bond prices will have a more noticeable wealth effect on individuals. Consequently, personal consumption, which cyclically tends to be more stahle than other components of economic activity, will take on much more of a cyclical hue.

For central banks, all this will pose unfamiliar chalenges. A sharp shift hy households out of mutual funds into deposits and money market funds will hurt bond and stock markets, but will increase the growth of money. Will this be interpreted as a symptom of future economic growth or a

precursor of contraction? indeed, the greater volatility coming from these structural changes may well induce public pressures for greater official intervention in the financial markets. Whipsawed by greater swings in their financial wealth, investors may demand that the government find a way to intervene in segments of the financial markets heretofore considered off-limits "open market operations", notably the equity market.

This is not going to happen today or tomorrow, but if reports from Tokyo earlier this year are right, the Japanese government purportedly per-suaded state pension funds to step into the Japanese equity market to give stock prices a lift. Who is to say that a similar form of intervention could not be devised in, say, the US

Lately, we have seen the pleasant side of volatility, rising stocks and bond prices with just occasional interruptions. But the dark side of volatility is bound to come again. When it does we may get the answer to what will be the central question - whether economic growth is sustainable if the financial markets are challenged by a rise in interest rates and households are threatened more directly than in the past by a decline in the value of their financial assets.

Henry Kaufman

The author is president of Henry Kaufman & Company, Wall Street economic consul-

rs Gro Harlen Brundtland, Nor-way's prime minexpects to pull off a remark

Her Labour party, at present s minority government, is confident of returning to power, despite being out of step with most voters on the main political issue facing the country Norway's country - Norway's application to join the European Community. compound

conundrum, pro-EC Lahour not only appears set to succeed, hut intends to rely for a parliamentary majority on the tacit support for most policies of two of the country's staunchest anti-EC parties. This odd state of affairs suggests that the chance of Norway hecoming an EC member has receded as a result of the election. A poll late last week showed a 54 per cent majority against membersbip, with support slipping to 29 per cent. It also

Labour's own supporters. But the pro-EC camp in Oslo, including the main opposition Conservative party, has not abandoned the prospect of winning a referendum to decide the issue, likely to be held within the next two years. From this point of view, the vital campaign to reverse Norway's narrow rejection of membership in 1972 will only start in earnest after today's

margins in favour among

Certainly, neither Labour nor the Conservatives have made any attempt to address the EC debate in the election campaign. On the contrary they have deliberately sought to avoid it, knowing that at this stage it is a vote-loser. "The parliamentary election is not a stopping place for the EC debate," Mrs Brundtland told anti-EC fishermen in Finnmark in Norway's arctic north, That will be for the

referendum to decide." Nevertheless, smaller parties which oppose Norwegian accession - for economic reasons as well as fears of a loss of independence - have suffered no such inhibitions, The two to which Labour will look for parliamentary support. the Socialist Left party and the Centre party, have campaigned almost exclusively on an anti-EC ticket and have boosted their standings in the

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federal states of Lower Saxony,

Saxony-Anhalt and Mecklen-

burg Western Pomerania, we

are fully conversant with the

markets of our neighbours in

As the House Bank of the

polis as a result. The agrarian Centre party, which even wants to undo Norway's participation in the European Economic Area

Norway's next government will find the EC hard to sell, say Hugh Carnegy and Karen Fossli

Out in the cold on a hot debate

Lahnstein - helped Labour, So

too has an noturn in the

oil-dependent economy, which

continue an expansive fiscal

policy while its Nordic

neighbours and fellow EC

applicants, Sweden and Finland, have been going

Above all, Labour has the

eset of Mrs Brundtland, who

has achieved commanding

stature in Norwegian politics

since she first became prime

minister in 1981. Like Mrs

Margaret Thatcher in Britain

in the 1980s, she is not so much

loved as respected for her

determination and her projection of Norway's

Her status now almost

transcends party politics. In

fact, she gave up the position of formal party leader to Mr

Thorhjoern Jagland almost a

year ago after her son

interests internationally.

through painful recessions,



agreement with the EC. looks set to double its vote from the per cent support it won in the 1989 election.

Labour, however, is unperturbed, Instead it has been encouraged hy the way

Some, both inside and outside the government, think public opinion can be swayed

Its support as the biggest party has held up in the polls and even strengthened in the latter stages of the campaign, while support for the Conservatives

A poor performance by the Conservative leader Mrs Kaci Kullmann-Five - the leader of the Centre party is also a woman, Ms Anne Enger

committed suicide, partly to leave herself more time to

There is now a common belief, evan among her Conservative rivals, that she is the only leader with a realistic prospect of persuading Norwegians to accept EC membership. The question is, can she turn around public opinion, which has consistently hardened since she delivered Norway's application in April.

Her own personal commitment to the need for Norway to join the Community is not in doubt. Her dodging of the topic during the election campaign is accepted by both pro-EC Norwegians and European diplomata as a necessary election tactic.

Assuming she wins today, the next step in the strategy is to negotiate an accession agreement with Brussels which she can recommend as a good deal for the country on central matters of public concern - oil, fisheries, agriculture and regional

Only when, or if, that is accomplished, will Mra Brundtland set a date for the promised referendum and begin to take the offensive in the membership campaign. There is no doubt that this will be a hard slog in the best of circumstances. Many senior

figures in Norway and

Conventional wisdom says the odds remain against Norwegian accession

throughout the Nordic region have, in private, almost written off the prospect of her achieving the membership goal. A top pro-European politician in Oslo is said to have told diplomats he does not believe the fight can be won. During the summer, a leading Nordic minister expressed scepticism over the

of Norway's sincerity application. Yet, there are those both Insids and outside the government who think public opinion can he swayed. In their view, an acceptable accession agreement may not prove as hard to win as has tended to

have beeb assumed.
On the highly sensitive question of fishing, Norway has already agreed a series of cod quota increases for EC vessels in Norwegian waters under the EEA agreement, and diplomats say the Community unlikely to seek further increases. Furthermore, they say, Norway's demand for free access to EC markets for its fish and fish products is likely to be met from the day of accession, notwithstanding some objections on Norway's

large salmon output. The issue of subsidies for Arctic and sub-Arctic farmers and for thinly populated regions is a common obstacle in the negotiations for all three Nordic applicants. Politicians in the three countries, however, hope that expressions of understanding among EC leaders of the special natural circumstances of the north will translate into an acceptable

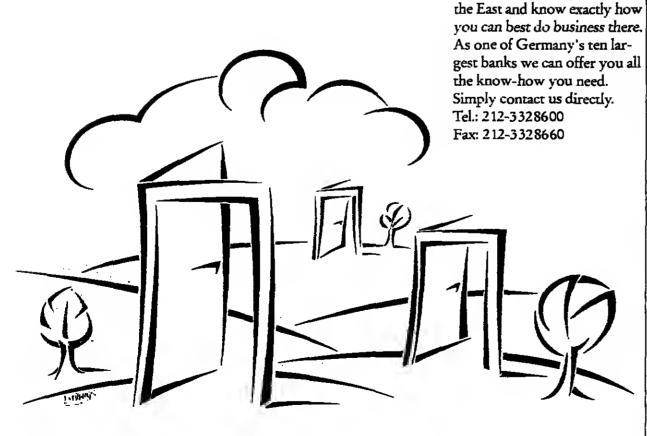
For Norway, there is also vital concern about North Sea oil Mrs Brundtland haa warned that a proposed EC licensing directive, setting out rules on open competition for exploration licences, would be Oslo's control over its most valuable resource and would damage the image of the EC in the run-up to a referendum. She wants it postponed and has won some support, notably

from Germany and Denmark. If these questions can he ironed out, the optimists hope. then the focus of the EC debate can be directed towards the broader political and security benefits of membership, which are much more fruitful ground for the pro-EC camp in a country which is a long-standing Nato member still concerned about its border with Russia.

Oslo would also hope to hold its referendum after "yes" votes wera secured in neighbouring Sweden and Finland, adding momentum to the "yes" campaign in Norway. In the meantime, however, conventional wisdom says the odds remain against Norwegian accession. Today's election is likely to reinforce that view. But for Mrs Brundtland and the other pro-EC forces, the real battle

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Investment in airline not aid

From Mr François Eldin. Sir, You quote the chairman

of British Airways ("BA presses for curb on European subsidies", September 10) as saying that "some \$3bn have been pumped into three European airlines in the last three years" and, further on, Paul Betts writes that these \$3bn are "state support to Air

France, Sabena and Iberia".

This is not true. Air France has not received any "state aid" in the past years. In 1991 we launched a FFr2bn rights issue and the French state, our main shareholder, subscribed as any private shareholder would have done to help finance major investment.

The European Commission screened this rights issue and publicly concluded, in July 1992, that it was not state aid. François Eldin, vice-president, corporate communications.

Groupe Air France, Square Max Hyams, Paris. France

Independent bank is An example right for democracy

From Mr Allan Leonard. Sir, In reading Mr Gerald Holtham's article, "No case for independent central bank" (September 3), I could not heip hut ask myself some elementary questions about fiscal versus monetary policy.

Specifically, how democrati-cally responsible would it be for a new government to reverse all of the fiscal policies of a prior government, without a check on the monetary side of the equation?

If there existed a constitutional guarantee that all

elected representatives would pursue anti-inflationary pollcies, then a non-independent central bank would be tenable. Otherwise, a government which controls both fiscal and monetary levers will always be susceptible to mismanage

The economic performance of a country is too important to be completely manipulated by the government of the day. Allan Leonard,

133 Amory Street Cambridge MA 02139,

No BR pot of uncollected gold

From Mr John Nelson. Sir, In reply to Graeme Thomson (Letters, September 8), there is no rainbow's end where a pot of uncollected revenue awaits discovery. Surveys confirm the success

of our penalty fares scheme and deployment of revenue protection staff; on Network SouthEast ticketless travel is down from more than 4 per cent to 2 per cent. This represents £20m a year of extra income to us. There is no sense

in spending more to catch fare dodgers than we collect from

John Nelson managing director, Network South-East

1 Eversholt Street, London NW1

to follow

From Mr P G Chidzey, Sir, Your survey of Northern Ireland (September 9) was both interesting and informativa. One cannot but think that if a political solution to the problems besetting tha country could be found great improvements would be made.

At a time when both South Africa and Israel have thought the unthinkable and negotiated with their enemies and brought political solutions in sight, should not our govern-ment similarly buckle down to finding a political solution in Northern Ireland?

Perhaps the foreign secre tary could devote more of his efforts to this very worthwhile end. If this government could come to some sort of an arrangement in Northern Ireland I am sure it would reap huge political gains and might even go some way towards solving its long-term financial problems. P G Chidzey

116a Amyand Park Road,

Sanctions not the answer to halting decline in rhino population

From Mr Roger Bate. Sir. The sanctions ("US to impose sanctions on China and Talwan over rhino horn trade", September 8), if forthcoming. will undoubtedly reduce the volume of rhino horn reaching China and Taiwan. However,

they are also likely to result in a further decline in rhino popu-The price of rhino horn will rise, on an increasingly clandestine market, thereby encouraging further poaching renders a lucrative commodity worthless to the local people of Zimbabwe, Sumatra etc. Therefore they have little incentive to protect their rhino.

If, on the other hand, local people were allowed to own

activities. The horn is prized in Asia as a fever remedy. How-ever, the lack of a legal market (or an illegal outlet in Asia)

and trade in rhino horn (at prices up to \$60,000 a kilo) it would provide a powerful incentive for them to protect

white rhino horn can effectu-ally be harvested without killing the rhino. This would have two effects: first, it would increase the rhino farmers' incentive to protect the rhino; second, a rhino without a horn. is less attractive to a poacher.
The motive of the US Environmental Investigation
Agency is laudable in wanting
to maintain the world's rhino

population. However, attempting to reduce the supply of

biodiversity and social impact

demand for it, and will merely increase the likelihood of a faster extinction rate for the Allowing trade in rhino horn may offend many people, but it

would ensure that a sizeable population of rhinos remains, which is, I presume, the aim.

environmental research fellow Institute of Economic Affairs, 2 Lord North Street, London SWIP 3LB

Commitment remains to supporting reforestation in Ecuador

From Mr Mark Constantine. Sir, Your article, "When con-servation efforts fail to pro-tect" (September 1), does a good job of describing the rapid destruction of the tropical rain rest of Ecuador, but fails to do justice to what could be a modal reforestation project - Ecoforest 2000.

There are two factual discrepancies in the article. First, the international Finance Corporation (IFC) has not withfrom the project.

the project until it has strained assurances that the environmental and social issues that have heen raised are addressed. Second, the project has not collapsed. The Durini Group (the company) is con-tinuing to establish plantations to reduce its dependency on primary forest wood sources, although without external fin ancing, progress will proceed at a much slower pace

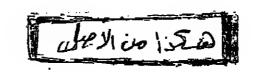
At a public forum held in Quito in April 1993, results of an independent review of the

aspects of the project were presented. The meeting pro-vided an opportunity for a broad spectrum of local and international non-governmental organisations and represen-tatives of the affected indige nous and athnic minority communities to present their views on the project. Subsequent cor-respondence from the participants and other interested par-ties, with few exceptions, has been supportive to the project.

assuming implementation of

the recommendations of the independent review. IFC remains convinced of the merits of the project. Ecoforest 2000 will result in the reforesta-tion of 5,000 hectares of degraded land, provide a long-term sustainable supply of wood, and eventually eliminate the company's logging in pri-mary tropical rainforest. Mark Constantine, manager, corporate relations

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FINANCIAL TIMES

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Monday September 13 1993

Trading with Vietnam

THE TIME has come for the United States to establish normal Hanol by the International Monetary Fund, the World Bank, and relations with Vietnam. The war against Ho Chi Minh ended 18 years ago; west Europeans did not wait half as long after the death of Hitler before starting to do business with the Federal Republic of Germany. Admittedly there are difficulties specific to America. Vietnam has not become a peace-loving democracy, as west Germany did. Some US veterans can-not forget that their forces were unable to defeat a third-world army. Such nightmares are not

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Yet if South Africans can negotiate the handover of power from white to black, and Israel can recognise the Palestine Liberation Organisation, it should be possible for President Clinton to complete the slow process of reconciliation that was initiated by his predecessor. Mr Clinton could demonstrate such an intent by allowing the embargo on US trade with Vietnam to lapse tomorrow.

easily exorcised.

All the pieces are in place. Just before he left office, President George Bush amended the embargo to allow companies to sign contracts with and open offices in Hanol, in anticipation thet the ban on doing business with this former enemy would eventually lapse. Large US corporations, including IBM, General Electric, BankAmerica, Citibank, and Caterpillar have shown interest; most of them have already set up shop in Vietnam. American business is not saying "hell no, we won't go." On July 2 Mr Clinton lifted the US veto on lending to

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wello: or

tary Fund, the World Bank, and like institutions. On July 18 the first US diplomat sent to the Vietnam capital in 40 years arrived, albeit accompanied by a statement from Washington to the effect that his sole purpose was to help account for US servicemen listed as missing in action (MIA).

intimations that in splte of all this Mr Clinton may be besitating at the next hurdle are only partly explained by the president's record as a youthful opponent of the war. The MIA theme, which arouses strong emotions, is played upon by Mr Ross Perot, who may re-emerge as a future presidential candidate. Many veterans and exprisoners, including a significant group in Congress, have accepted that Hanul is co-operating in efforts to trace MIAs - but some organisations, notably the American Legion, persist in their opposition to an early resumption of

trade with Vietnam. Mr Clinton, whose priorities are health care reform and the North American free trade area negotia-tions, is understandably cautious about this south-east Asian hornets' nest. He is anxious to avoid further defeats in Congress. The psychological damage done to the American nation by its experi-ences, at home and abroad, during the Vietnam struggle runs deep. Yet in June he stood before the Vietnam veterans' memorial and said disagreements over a war fought two decades ago should not divide Americans as a people any longer. He must now find the

UK labour laws

BRITAIN MAY or may not need another round of employment legislation, but it urgently needs rationalisation of the law which already exists. That is the message coming from Britain'a engi-

neering employers. A sound framework of employment law would protect employers and employees from unfair behav-. lour, without placing undue bur-dens on employers. The rights and duties of both parties to the employment contract should be expressed as clearly as possible.

The foundations of British employment law are still rooted in a law of contract which requires many of the rights associated with collective organisation to be expressed as immunities from breach of contract. Britain has a system of "collective laissez-faire" which for nearly 100 years has kept the law to a minimum, but which has also encouraged unions and employers to slug it out at the

The basis of collective laissezfaire is being eroded by the decline of trade unions and the creation of new rights for individuals at the workplace. Contrary to much of the rhetoric at last week's TUC Congress in Brighton, most non-unionised British workers do not stand unprotected before the

whims of their employers. But the main problem is thet employees' understanding of their rights and their enforcement through the courts or industrial tribunals is increasingly defective. The Engineering Employers Federation argues that because of the

way statutory provisions are drafted and amended, and because of the accumulation of case law, the understanding of subjects like maternity rights or redundancies has become increasingly problematic. At the same time, the industrial tribunals themselves have become bogged down in legalism, causing delays and uncertainty.

The answer the EEF proposes is regularly undated codes of practice on employment law which would have greater authority than case law and would help unblock tribunals. One way forward would be for the government to conceive a form of Citizen's Charter for the workplace, setting out employee rights, to be attached to each supplemented by a voluntary code of practice, on matters such as employee consultation which are not covered by the law.

A more contentious notion would be to convert existing collective immunities into individual rights, although that would raise the difficult issue of a right to strike, or perhaps more precisely a right not to be dismissed for striking for a certain period of time. To balance any such right, the government could restrict strikes in essential services and give employers greater flexibility in changing employment conditions without being subject to unfair

dismissal proceedings.

The REF paper stops short of considering these complications. But it is a worthwhile contribution to which ministers should

Nelson's task

SMALL BRITISH businesses had a rough time during the recession.

to initiate a review into the financing of industry. Small companies trouble. It would be better if they

nomic secretary, who has been given the task of conducting the review, will find no shortage of ideas as he tours the country over the coming months. Business lobby groups have been quick to trot out ideas such as increasing capital allowances for small companies. Another idea came earlier this year from Mr Brian Pearse, Midland Bank's chief executive, who called on government to sub-sidise small business loans and

individuals in industry. smack of special pleading. Rather than devising yet more tax reliefs and subsidies. Mr Nelson will fundamental rethink

stakes to outsiders.

projects. Such invastments, though, might be just the thing for wealthy individuals.

Any attempts to de-institutionalise savings will be contentious. When the then Mr Nigel Lawson as chancellor tried to do so in the 1980s, the powerful pensions lobby scotched his plans. Since then, the government has trimmed pensions tax relief in a piecemeal fashion, an approach which has had no

cash for the exchequer. The arguments for reforming the taxation of savings are finely balanced. But there can be no radical change in the way companies are financed so long as the institutionalisation of savings persists. The question is whether the government has the stomach for a

ong after the bullabaloo aurrounding today's peace deal between Israel and the Palestinians fades, one image may linger in Middle Eastern minds: that of a lonely farmhouse in the Norwegian countryside outside Oslo.

It was in such a place - or a number of such places - thet senior officials from Israel and the Palestine Liberation Organisation set out earlier this year towards their historic agreements on mutual recognition and on Palestinian self-rule in the West Bank and Gaza Strip, conquered by Israel in 1967.

Although assisted by low-key Norwegian mediators, they did it in direct talks, without the participation or knowledge of any of the powerful outsiders, from the US. Europe or the moderate Arab states who have expended such vast amounts of time and energy in seeking a settlement to the Middle East's most intractable conflict.

Today, as the deal is consummated with a glitzy signing ceremony in Washington, the discus-sions in that farmhouse seem a more telling pointer to prospects for the wider region. The PLO and Israel had to look one another in the eye, essentially in solitude, to begin to overcome decades of hostillty. So, too, the Israelis and the other Arab states - traditionally obsessed by internecine rivalry, manipulation of external patrons and empty rbetoric about Arab unity - are now on their own as they seek to chart a way forward to peaceful co-existence.

That is the reality that underlies all the current hyperbole about a "new Middle East", Marshall Plans, high-level western involvement in furthering the peace process, and ambitious regional public works programmes. Western political and financial support can certainly help. But in the end, it is the countries of the region that will determine whether the comprehensive peace suddenly in prospect establishes a mood of trust and mutual dependence rather than simply a grudg-ing and irritable end to hostilities.

Perhaps more urgently than at any time since the end of the first world war, when Britain and France secretly connived to carve the region's present nation states out of the Ottoman empire, these countries have to discover what they have in common, and bow they can live as normal neighbours.

As among the states of western Europe after world war two, the basis for their co-operation will have to be economic as much as political. As in Europe for four subsequent decades, any new order will in the eyes of Israel and of some Arab governments be constantly subject to an ideological challenge from within and without that of militant Islam, both home-grown and fomented from the east by the Islamic Republic of Iran.

The question is: are the partners really prepared for peace, for the regional integration this implies, and for the shift in strategic and economic alliances with the world at large which will surely follow?

The Israell government and busi-ness establishment evidently thinks so. Mr Shimon Peres, Israel's foreign minister who brokered the deal with the PLO in Oslo, has spoken of a "new era" in regional co-operation with moderates on both sides joining forces to foster economic growth and combat political extremism, and is looking to the European Community to encourage regional integration in a new association agreement. Expectations of the commercial dividends peace could bring have fuelled a 10 per cent rise in the Tel Aviv Stock Exchange over the past two weeks, and have prompted a renewed flurry of interest in Israel, notably on the part of Euro-

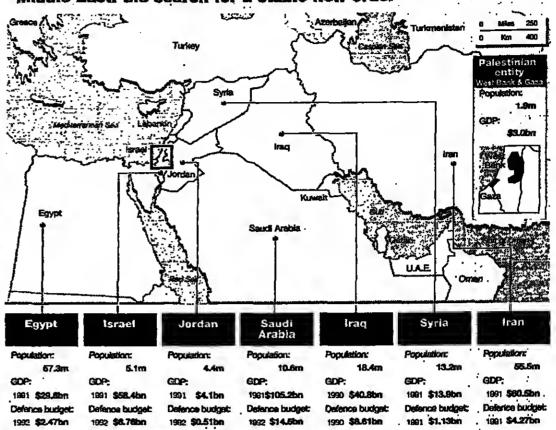
pean and Japanese companies. The euphoria is understandable, but premature. Today's signatures in Washington merely begin the endezme of a peace which must be hammered out in detail and sealed in treaties. Jordan, Syria and Lebanon have still to accomplish their first steps along the road: agree-ment on declarations of principles

to guide their own talks. Even when they have done so -

Now comes the hard part

Mark Nicholson and Andrew Gowers examine the wider implications of the deal between the Palestinians and Israel

Middle East: the search for a stable new order



and the Syrian-Israeli negotiations will eventually provide for a new in particular are likely to be slow relationship based on something and difficult - serious sources of resembling mutual respect.

instability in the Middle East will remain unaddressed, notably the Gulf, where Saddam Hussein's periah state of Iraq has no part in the peace process and Iran is fiercely opposed to it. The race to acquire arms of all kinds continues unchecked all over the region, and could itself become a casus belli if Israel feels compelled to act against efforts by its enemies to acquire weapons of mass destruction.

It is hardly the most auspicious climate in which to embark on an experiment in co-existence. That is, nevertheless, what Israel has set out to create. The hope must be that it can lead through example by transforming its relationship with

The Palestinians will need liberal trading arrangements across the Jordan river as a conduit to the wider Arab world

the Palestinians. If it succeeds, change for the better could radiate into the region, underpinned by the financial might of Gulf states such as Saudi Arabia and by expanding international trade.

The Israelis and Palestinians are the critical test case. In agreeing on self-rule for the Palestinian inhabitants of the occupied territories, the PLO and Israel have opted for a gradual separation between two peoples locked for 26 years in

unhappy and unequal marriage. Provided they can keep their respective extremists in check, and provided Mr Yassir Arafat, the PLO leader, can effect a rapid and visible improvement in economic conditions in the territories, there is a chance that the political separation

What the Palestinians cannot afford is a complete divorce. Their lives are too closely intermingled with those of the Israelis. For the foreseeable future they will continue to depend on salaries earned by Palestinian workers in Israel, and they will need to maintain the freest of trading links with their Jewish neighbours if the businessmen of the West Bank and the diaspora are to be encouraged to invest in productive enterprises. The extent to which they see potential returns rather than humiliation in such heavy dependence on their much more powerful Israeli neighbour will in large part determine

whether their experiment succeeds.

The Palestinian proto-state will also be heavily dependent on the Kingdom of Jordan to the east, next in line to sign a declaration of principles with Israel. As well as establishing a free-trade zone with Israel, the Palestinians will need liberal trading arrangements across the Jordan river as a conduit to the wider Arab world. The next natural step would be free trade between all three countries - even, Mr Peres has suggested, some form of economic union à la Benelux. Such an agreement, however, will be hard to achieve. A recent Harvard University report remarks that "broad scale free trade between Israel and Jordan would take longer, for Jordanian firms have not until now

been subject to Israeli competition". That is a foretaste of the problems ahead in dismantling the encrusted barriers between israel and the Arab world. The Israeli economy is twice the size of that of its most powerful Arab neighbour, Egypt, although its population is only one tenth as large. The Arab world has nothing resembling the Jewish state's most dynamic companies. All Israel's relatively impover-

isbed neighbours will be very wary

OBSERVER

of allowing their economies to be penetrated by such unsettling

The sole precedent, Egypt's 1979 peace treaty with Israel, is dis-tinctly unpropitious in this regard. Trade and investment flows since have been limited. As important, overall intra-Arab trade and investment is very underdeveloped. For decades, the Middle East has been composed of siege economies with their best talent and the best part of their national resources devoted to war. The vast majority of Arab exports - whether of oil from the Arabian peninsula or of potash, tex-tiles and agricultural produce from the Levant and North Africa - is sold to the industrial countries of the US, Europe and Asia rather than locally. Capital accumulated in

Syria epitomises another reason for caution about the prospects for a comprehensive Arab-Îsraeli peace

the Arab world has a habit of taking flight to western financial centres rather than being put to productive use at home.

Few Arab regimes have yet got far with structural reforms aimed at invigorating their sclerotic economies. And none of their attempts at creating a meaningful regional economic grouping has long survived the political rivalries and frictions which have always eclipsed economic considerations in their

embrace is epitomised by Syria, still engaged in an arms build-up and in dispute with Israel over the Golan Heights, captured in the 1967 Arab-Israell war. Israel has yet to promise a complete withdrawal from the ern order or a dying gasp of the old.

Golan as demanded by Syria's President Hafez al-Assad. He has not promised the "full peace" - includ-ing an exchange of ambassadors and free movement of goods and people - that Israel wants in return. The danger, in Israeli eyes, is that an eventual treaty with Syria will

in practice be no better than the "cold peace" with Egypt.

Mr Assad has concerns of his own: in particular, the maintenance of his own power, embodied in one of the region's most repressive regimes. He has recently shed much of his Baath party's quasi-socialist ideology to initiate a cautious programme of economic reform. But this is a far cry from the sort of economic opening that would be required under any broad attempt at regional economic integration. Anything more radical might

undermine his military power base. Syria epitomises another reason for caution about the prospects for a comprehensive and durable Arab-Israeli peace: the uncertainty surrounding the present generation of one-man Middle Eastern regimes. President Assad has serious health problems, and the succession to him is impossible to predict. There is a feeling of fin de regime, too, in Jordan, whose leader, King Hussein, has recently been treated for cancer. He is busily striving to ensure he will be succeeded by a more democratic form of constitutional monarchy. But his kingdom has an unstable history and his subjects -divided along fault lines of religion and origin - have largely been held together by his personality. Since a majority of the population considers itself Palestinian, any instability in the West Bank and Gaza would immediately infect Jordan's body

In Egypt, the most important and populous Arab country by far, the antbority of President Hosni Mubarak is not in immediate doubt. Next month, be is expected to win a referendum and sail into a third, six-year term. But there, too, stabil-ity is not guaranteed. Islamic extremism is on the march, with fundamentalist groups conducting violent attacks on western tourists. government ministers and security forces. The government's response bas been heavy-banded and unimaginative, and may simply be fuelling the problem.

The regime's difficulties are exacerbated by growing concern about its relationship with its crucial patron, the US, expressed in \$2.3bn (£1.50n) a year of financial and military aid. Paradoxically, a wider Arab-Israeli agreement may diminish Washington's previous interest in Egypt as the only Arab country to have made peace with Israel. Although the Clinton administration has said it will assure this ald through to 1995, there can be no guarantee it will be held at such levels thereafter. Without the US bounty, Cairo's ability to maintain domestic stability and keep the extremists in check would be open to serious question.

In these domestic political and economic problems in the Arab world lies perhaps the most important reason wby it is still too early to talk of a new era of peace and economic co-operation in the Middle East. Income disparities between the states of the region, and within them, remain potent sources of conflict and provide nutrition for Islamic opposition to unrepresentative Arab regimes. Iraq, still besieged by United Nations sanctions, continues to fulminate against the wealthy, US-protected Gulf states to its south. Iran, the most populous and powerful Gulf country, is busy rebuilding its military after eight years of war with Iraq and has been identified by Israel and its Arab partners as a serious source of trouble - especially in its perceived influence over Islamic movements from Aigiers to

It is in the battle between such forces and the emergent Arab-Israeli "alliance for peace" thet the future of the region will be determined. Only when it has been con-cluded will it be possible to tell whether today's accord represents the first gasp of a new Middle East-

probably find it more fruitful to identify bow current tax breaks

Many went under when banks called in their loans. And although the banks have come in for criticism for being too ready to pull the rug from under entrepre-neurs' feet, the losses on their lending to small companies show they too have not fared well. With banks reluctant to extend more short-term finance to small businesses, there is a danger the eco-

nomic recovery will be blighted. Mr Kenneth Clarke, the chancellor, was therefore right last week are excessively reliant on short-term overdrafts, which can be called in at the first hint of could raise longer term equity and debt finance.

Mr Anthony Nelson, the ecogive tax relief on investment by

Many of these suggestious

distort investment flows.

If small businesses are to make greater use of vanture capital, their attitudes will have to change. At present, many entre-preneurs are not willing to dilute their control by selling equity

The way in which tax reliefs favour the institutionalisation of savings will also merit attention. Once the nation's savings are sucked into large institutions such as pension funds, they too seldom find their way to small companies in the form of equity finance. It is not worth the management effort of big institutions to invest in and monitor a large collection of tiny

overall logic apart from raising

Banking on Basle?

■ Central bank governors from the G-10 countries today turn their minds to the difficult task of selecting a successor to Gerry Corrigan as chairman of the Basle committee of international banking

regulators. Corrigan is etepping down after leaving his job as president of the Federal Reserve Bank of New York, but there has been no clear front-runner in the search for his

Some hot money is on Tommaso Padoa Schioppa, deputy director general of the Bank of Italy, who has already had a stint at the EC

in Brussels. His appointment might provide some consolation for his failure to get the job of governor, which was handed to Antonio Fazio in May this year.

Other international banking mandarins are whispering that the Dutch are vying for a fresh grab at the top seat, though Corrigen's predecessor, the late Huib Muller, was also from the Netherlands.

Brian Quim, executive director responsible for banking supervision at the Bank of England, might be considered an obvious candidate for the job.

But his chances have certainly been damaged by the fuss over the BCCI affair. The fact that the first two Basle chairmen, Sir George Blunden and Peter Cooke, were both from the UK, will also not

Political prayer Amid the flurry of recently

published political memoirs by eminent Tories - Nigel Lawson, Alan Clarke, Kenneth Baker and soon from the lady herself - there is scant practical guidance for the would be member of parliament.

That gap is partly filled by a new publication from another long serving Tory, Ivor Stanbrook, Conservative member for Orpington between 1970-92. He has brought out a timely tome: "How To Be

an MP", The book explains why MPs sometimes appear a rather religious bunch, regularly attending prayers at the start of each day's proceedings.
"Apart from any spiritual value,

the practical benefit derived from attending prayers is the right it gives to a member to occupy a particular seat in the chamber for the rest of the day, provided he is present at prayers and inserts a prayer card in the seat."

Grub Street

■ Observer is surprised to learn that the starting salary for a cook at the New York Times' staff cafeteria, at \$697 a week, is rather

CONSERVATIVE CENTRAL employees.



"VAT on the winter fuel bill could be the last straw"

more than that for a journalist at the FT's competitor, the Wall Street Journal.

This intriguing disparity has been uncovered by the Independent Association of Publishers' Employees, the union which represents 2,000 employees at Dow Jones, publishers of the Wall Street Journal

The IAPE is negotiating a new three-year pay contract with Dow

It suggests the disparity between the cooks' and the reporters' salaries supports its proposal to the company's shareholders that any increase in the chief executive's remuneration package should be

no more than that received by

Tunisian parallel

■ Former president Habib Bourguiba could be forgiven for thinking there is some poetic justice in the fact that the first news of the mutual recognition between Israel and the PLO came from

As Tunisian head of state during 1957-87, Bourguiba tried to convince his peers that they would fail to undo what the UN had done; in other words, they would have to recognise Israel.

In Jericho (then part of Jordan) 28 years ago, Bourguiba propounded what he called the "doctrine of

This suggested that the Palestinians should recognise Israel and seek to restore their lost rights by negotiation rather than by war - which they were bound to lose.

For his prescience he was burned in effigy around the Arab world: Nasser plotted to topple him.

Vanity Fare

stages".

"I could write a book" runs the old Rodgers & Hart tune. If former IMRO chairman George Nissen should choose to do so he won't have far to look for a publisher - he's just bought one.

Nissen, who fell on his sword in June 1992 in the wake of the

Maxwell scandal, has acquired The Book Guild, one of the UK'e

subscription publishers. Unkind fellow publishers not in the subscription game sometimes refer to it as "vanity" publishing; the author pays the publisher to bring out the book Not all authors write with the

single aim of making a profit, says Nissen, whose company brings out up to 100 titles annually, with print runs as low as 500 copies. Now if he could be persuaded to sit down and pen his own recent

experiences, demand might be a little greater than thet.

Curdled egg

■ Those who believed LWT when it called the new telly tycoons its most cherished staff were perhaps a little too gullible.

In case you've forgotten, these were the 54 managers who invested in the station's golden handcuffs scheme ahead of the franchise

auction in 1991. Some became paper millionaires last month when their shares became tradeable.

Under the scheme's terms, they

could not resign and hold on to their share options. But it appears they could still be made redundant; six months ago Alan Woolfson, the visual services controller, became an "involuntary leaver". He has retired to enjoy a nest-egg

coming to the boil at around

California bows to international pressure over 'discriminatory' system

New tax law may appease UK

By George Graham in ashington and Peter John in London

CALIFORNIAN tax legislation passed at the weekend is expected to lift the threat of British action against Californian based companies operating in the UK.

However, the law, which was approved in the California state assembly late oo Friday night, as yet leaves unresolved the court battle by the UK bank, Barclays, against the state's unitary tax

Barclays' case is the test case for suits which could cost California a total of ahout \$880m. Another \$3.1hm is at stake in a related suit brought by Colgate-Palmolive, which would extend to US-owned companies.

The new legislation is likely to remove the principal remaining

objections of foreign-owned companies to the state's tax system, which they argue has discriminated against them, and leave them free to choose an alternative system of tax assessment

known as "water's edge". Foreign, and especially British, companies have long objected to California's unitary system, which taxes a company on a perceotage of its worldwide income, rather than only on income earned in the etate. Since this system differs from international norms, it can be disallowed by tax authorities in other countries and lead to a company's being taxed twice on the same income. in the face of international pressure, Callfornia bas sioce

1988 allowed companies to opt for

water's edge" assessment, which

Includes only activities within

exchequer, is oot expected to make a statement until the Treasury has had time to study the full text of the law, but officials in Washington and Sacramento. the Californian capital, are confi-dent that the legislation does enough to justify the lifting of the UK government's threat to

The retaliation, announced in May, is due to come into effect on January 1. It would remove a tax credit from Californian compa nies, increasing the tax rate oo their British subsidiaries from 28 per cent to 33 per cent and costing them up to £250m a year.

Major US companies have lobbied California hard to change its law and avert the UK retaliation. While unitary taxation would under the new law stay alive -infuriating the many British almost theological zeal - it is unlikely to spread, because the Californian model, giving companies a choice between unitary and "water's edge" assessment would lose money for any other state that adopted it.

Barclays commented at the weekend; "We would welcome it (the legislation) as a move in the right direction hut it is impossible for us to say what will happen ahead of the court case."

The British government has made clear to the US administra tion that it will continue to back Barclays in its 10-year-old lawsuit, which is now pending before

the US Supreme Court.
The Clintoo administration has abandoned previous administrations' stance against California. because of concern about the state's financial condition.

German ruling coalition at odds over social care plan

By Quentin Peel in Berlin

THE STABILITY of Germany's ruling coalition as called into question this weekend in a new row over how to finance the latest addition to the country's generous social security system nursing care for the elderly and

At the heart of the conflict is a fundamental difference on who should pay most for the future scheme - workers or emoloyers.

The Free Democratic party, the minority partner in the government, declared that a cross-party compromise hetween Chancellor Helmut Kohl's Christian Democratic Union (CDU) and the oppo-sition Social Democrats (SPD) might destroy the fragile basis of the coalition, a year before the next elections.

The FDP says that any compro-

mise that placed a greater financing hurdeo on employers would be disastrous for the German

Such a deal would also isolate the FDP and reinforce the trend towards a grand coalition between the SPD and CDU.

Leading members of the FDP eacted furiously at the weekend to moves by Mr Norbert Blum, tbe labour minister, to reopen the whole question of financing the nursing care scheme in talks with the SPD.

A first round of talks on Friday saw moves towards a compromise. Mr Rudolf Dressler, social affairs spokesman for the SPD, said there was an agreement to "put on ice" the present proposal, which is hitterly opposed by the German trade union movement. The present plan is backed by the FDP because It would ease

the financing hurden on German employers, by reducing from three days to two the period they must provide guaranteed sick

pay for their workers.

An alternative solution under discussion would instead cancel two days from the annual list of paid bolldays given to German

That, though, is likely to run into opposition from the third partner in the ruling coalition: the Bavaria-based and staunchly Roman Catholic Christian Social

Mr Dieter-Julius Cronenherg, the FDP deputy chairman of the Bundestag, the lower house of parliament, warned that, if the CDU and CSU sought to force further compromises from their partners, it would "destroy the basis of trust for further co-operation in the government".

EC to test US | Brief document may end years of conflict

Continued from Page 1

trade stance

food aid, processed products, and existing silo stocks from the list of cuts.

One idea being canvassed at the weekend meeting would be to add a separate protocol or interpretation of Blair House. This might meet some of France's rescryations, while avoiding the charge that the Europeans wish formally to reopen the draft accord.

EC diplomats acknowledged at the weekend that France had succeeded in shifting the dehate towards the need to head off a potential veto, forcing the Community to look for new flexibility ln Washington.

That message will be reinforced in talks today between Mr Delors and Mr Willy Claes, Belgian foreign minister, who are due to meet Mr Warren Christopher, US secretary of state.

from King Fahd, the Saudi Ara-

Continued from Page 1

paving the way for today's peace

The US is keen to sustain the momentum for a wider Middle

President Bill Clinton said the US would continue with aid and military assistance to Israel. while Mr Warren Christopher, secretary of state, said US troops might guarantee security in the Golan Heights after any Israeli undertaking to withdraw from the Syrian land it cooquered in

But Mr Clinton and Mr Al Gore, his vice president, both stressed that the US did not see itself as the sole or main provider of financial aid to support

peace in the region. In an interview with the New York Times. Mr Clinton said be

had secured an undertaking

PLO were deeply soured by Mr Arafat's support for Iraq during the Gulf war. Mr Clinton quoted the king as saying: "You take the lead in organising it and tell us what

FT WORLD WEATHER

we're snpposed to do...and I will wait to hear from you." Mr Clinton said he had also elicited Syrian backing for the PLO-Israell deal during a 30-min-

hian ruler, for a large Sa

financial package from the Gulf

states - whose relations with the

ute conversation with President Hafez al-Assad. He qnoted Mr Assad as saying: "It is a positive thing, this agreement, for all of

Mr Clinton said Mr Assad songht only the continued assistance of the US in mediating future negotiations with Israel over a withdrawal from the Golan Heights.

By Karen Fossil in Oslo

NORWEGIANS today vote in a general election which is expeced to hand victory to the ruling Labour party led by Prime Minister Gro Harlem Brundtland.

Opinion polls have consistently indicated a swing to the left, a trend confirmed by a poll pub-lished on Saturday in the Daghladet newspaper. The poll, the last before the election, showed Labour with 34.8 per cent of the vote, a marked improvement from mid-year polls when support for Labour fell below 30 per cent, its poorest rating since the

The major issues of the election include unemployment, currently at a post-war record of 8.3 per cent, including those on government training schemes, and Norway's application to join the

has been boosted by signs of economic recovery, assisted by record North Sea petroleum out-put which has made Norway Europe's biggest ou producer.

Mrs Brundtland has also gained credibility by refusing to debate Europe during the campaign, saying that EC membership will be decided by voters in

tion Conservative Party. in Saturday's poll, the Conservatives saw support fall to 18.1 per cent from 22.2 per cent of the

The biggest gain today, according to the polls, will be hy the anti-EC agrarian Centre party, support for which has soared to 16 per cent from just 6.5 per cent in the last election.

Norwegian poll gives Labour a clear lead

European Community. Labour's strength in the polls

a referendum by 1995.

Analysts say the electorate feels there is no real credible alternative to Labour, with opin-ion polls showing steadily eroding support for the main opposi-

vote in the 1989 election.

Bruntland confident, Page 4

It looks as though 1993 will go down in exchange market history as another year in which the pundits got the dollar hadly wrong. Far from appreciating as the US economy recovered, the dollar looks distinctly sick on the basis of a weak recovery and extraor-dinarily low inflation. In Europe, the Bundesbank has cut rates more slowly than many expected and is under even less pressure to do so now that the ERM has moved to 15 per cent bands. Last week's cut of just 10 basis points in the money market repurchase rate is a reminder that it is keen to see

THE LEX COLUMN

Steely determination

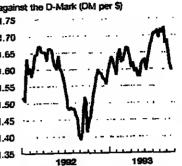
It is easy to see why British Steel is anxious to move the European steel debate forward. Subsidies protect its Dollar state-owned competitors in Europe from the economic downturn, while depressed continental demand robs it of the benefits of rationalisation. The levy proposal, whereby privatised prodncers would contribute towards the cost of chutting down capacity at state-owned loss-makers, may appear unorthodox to competition policy pur-ists, but British Steel can well afford to participate. The incentive to do so is all the greater since real discipline will be even harder to impose on subsidies once the recovery starts. The problem would then be worse again in

the next downturn Participation in the levy need not affect the company'e low gearing. Con-tributions would come out of revenue over a period of five years. Given British Steel's high operational gearing, the effect on the profit and loss account would presumably be quickly offset by higher prices and higher volumes. Its relatively modest capital

spending requirements mean the cash outlay should not hurt. The longer term risk is that once the west European capacity problem is

resolved it will be harder for the EC to find an excuse for restricting cheap imports from eastern Europe. The short-term risk is that the discipline imposed on state-owned producers will prove inadequate. British Steel is, though, probably right to claim that. without action soon, the outlook for private sector producers is oleak. Most at risk are companies in Germany and Benelux which stand to suffer an exchange rate disadvantage from the collapse of the ERM. But any collapse there would be scant consolation since the Klöckner experience shows that private sector troubles do not necessarily lead to closure of capacity.

Currencies



policy relatively restrictive and the D-Mark strong. The result is that the transatlantic interest rate differential has failed to narrow as much as had been assumed at the start of the year. Now, with US equities looking expensive and bonds at record low yields, there is not much to attract international money into the dollar - hence the growing sense that it has room to weaken further. This will not help economic recovery in Europe, where currencies as a whole have tended to be overvalued against

the dollar. The policy response will be interesting to watch. It is difficult to be sure how far the D-mark'e present strength is a function of the dollar and how far it reflects purchases by central banks obliged to repay intervention. A pronounced fall in the dollar might just provoke the Bundesbank into larger interest rate cuts designed to offset the implicit monetary tightening. That would let France and other ERM countries off the book. It is more likely, though, that they will still have to undercut German rates interest eventually. The hope would be that an inflow of foreign funds into their bond markets would provide the wherewithal to repay the intervention debt.

UK superstores

As Tesco tees up to start the food retailers' reporting season, attention will once again fix on the valuations ascribed to their vast property portfolios. James Capel calculates that, between them, the big three grocers own some £3.4bn of properties. This compares with £8.6bn owned by Land Securities, MEPC and British Land Recent fears about the sustainability of grocers' margins and return on canital, however, increasingly call into

question whether superstore assets should be depreciated over their useful lives.

So far, Wm Morrison has been the only food retailer to respond to such concerns - although depreciating its land and huildings by just 1 per cent a year seems little more than cosmetic. The worry is that if food retailers do not steadily depreciate their assets they may be forced to take big one off write-downs. By bidding up the cost of sites, the hig grocers have had to work harder to maintain their return on capital. They have achieved this by widening their trading margins. If margins now come under pressure, the capital value of their sites may also fall. Should not that risk be reflected

in their books? Arguably, superstore land may pre serve much of its value over 15 to 25 years, especially if inflation returns hut the case for depreciating building over their useful lives appears over whelming. Even this move would have a material impact on grocers' earnings, reducing some of them by as much as 15 per cent investors, though, scarcely need further encouragement to sell. The sector has under performed the market by 15 per cent since the start of the year.

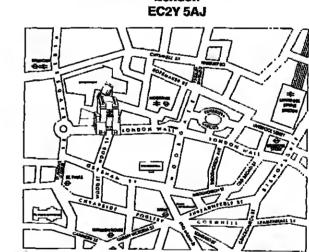
News Corporation

Mr Rupert Murdoch has been so busy snapping up assets in recent months that it goes against the grain for him to sell out of one of the world's most profitable newspaper groups. Presumably not even he fan cied his chances of trying to preserve the South China Morning Post's editorial and advertising appeal after Hong Kong reverted to Chinese sovereignty in 1997. Besides, the returns made on the original HK\$2.4bn investment would have been enough to tempt any one to casb in their chips.

The sale of a 34.9 per cent stake to the pro-Beijing Mr Robert Kuok ensures a full bid will not be sparked for SCMP. But this leaves News Corporation with an untidy rump of shares to sell. This would appear a straight forward enough task given that SCMP's shares have more than doubled to HK\$5.35 over the past two years. Then again, other investors may well reflect on the risks of owning sbares in an English-language newspaper at such a politically sensitive time. Significantly, News Corporation is choosing to recycle its proceeds into regional satellite television, which skirts such regulatory worries.

September 1993

We are pleased to announce the relocation of the following activities in London to: 125 London Wall London



Chemical Bank

Telephone: 071-777 2000 (main switchboard) Facsimile: 071-777 4727 (main facsimile) 94060000 CBC G

Chemical Futures & Options, Inc.

Developing Markets Sales

Developing Markets Trading Global Derivatives

Jspan Desk

Securities Markets Division Securitisation

Treasury Sales Treasury Trading Chemical Investment Bank Limited

Telephone: 071-777 4000 (main switchboard) Facsimile: 071-777 4747 (main facsimile) 94060177 CHIB G

Telephone: 071-777 4402 Facsimile: 071-777 4779 Telephone: 071-777 3610 Telephone: 071-777 4362 Facsimile: 071-777 4734 Telephone: 071-777 4249 Facsimile: 071-777 4773 Telephone: 071-777 4268 Facsimile: 071-777 4728 Telephone: 071-777 4000 Facsimile: 071-777 4741 Telephone: 071-777 4000 Facsimile: 071-777 4742

Telephone: 071-817 3930

Telephone: 071-777 3178 Facsimile: 071-777 4766

This relocation is the second of a phased schedule and other London units will be moving to 125 London Wall throughout September and October.



Europe today

cause strong gales in western coastal areas of France. The British Isles will have (near) gale force winds especially around the centre of the low. The frontal zone associated with the depression will bring rain and wind to northwestern Europe. The rain will be heaviest over southern England, northern and central France and the Low Countries. Northern Spain will be cloudy too with some rain, but elsewhere in Spain and Portugal, it will be mainly sunny. Most of Italy and south-east Europe will be sunny and warm. High pressure will remain over Scandinavia with sunny intervals in Norway. Southern Sweden and Denmark will have rain during the efternoon.

A storm crossing south-west England will

Five-day forecast

The depression will weaken while moving slowly towards the North Sea, Conditions will become less windy, but north-western Europe will continue unsettled. A new frontal system over Portugal will cause widespread rain in north-western Spain and Portugal. Around the Mediterranean, it will continue sunny except for southern France where showers will develop. Eastern Europe will have thundery



Lufthansa

Latest technology in flying: the A340

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Montreal
Moscow
Munich
Nairobi
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Paris
Perih
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Rangoon
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FINANCIAL TIMES

COMPANIES & MARKETS

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Monday September 13 1993



INSIDE Austrian oil group

stays in the red OMV, the troubled Austrian integrated oil and chemicals group, has reported an operating loss of Sch552m (\$49m) after a loss of Sch584m in the same period of last year. The group, which earlier forecast a return to profit this year, has been badly hurt by competition from eastern European refiners and chemical makers, Page 20

Roxboro plans placing

Roxboro, the manufacturer of specialist electronic components, plans to come to market through an offer and placing next month which is expected to value the group at about £70m (\$108m). Page 18

Ashanti seeks London fisting

Ashanti Goldfields, owned jointly by the Ghanalan government and Lonrho, the international trading government and Lonrno, the international trading conglomerate, is to seek a London listing next yea which could value it at up to £900m (\$1.4bn). The sale will be Ghana'a biggest sell-off exercise to date. Page 19

Fed up with Fyffes

The stock market's exasperation with Fyffes, the UK and irish fruit distributor, is growing. Two years ago it looked to be on the verge of European expansion but its I£90m (\$130m) war chest is unspent. Page 19

Foreign bank opens in Russia



Dresdner Bank and Banque Nationale de Paris have opened a joint subsidiary in St Petersburg in the first inauguration of a bank wholly-owned by foreigners in Russia since the Bolshevik revolution. However the Russian parliament has proposed a ban on foreign banks dealing with Russian custom-ers. Page 20

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 15.7, according to IBES, the consensus estimates service (Last week: 15.9). This compares with an IBES estimated p/e for the "500" of 20.6 (21.0) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 19.92 (20.27).

Market Statistics

1	Base lending rates FT-A World Indices Bace FT/ISMA int bond svc Foreign exchanges	k Page	London share service Managed fund service	29-31 25-29
١	FT/ISMA int bond svc	22	Money markets	29
ł	Foreign exchanges	29	New Int bond Issues	23
ı	London recent issues	29	World stock mkt indices	24

Companies in this issue

Productivity figures rarely make the beadlinea. When they are next issued in the UK on Thursday,

the figures - giving output per head - are likely to be over-

shadowed by the latest unem-ployment news published the

But recent official reports,

pointing to strong productivity growth in UK and US manufac-

the attention of economists.

Higher productivity is to be

expected during economic

recovery as orders flow in and

try has been particularly

strong when set against the

hesitant and patchy recovery in the US and the moderate

growth of British production.

As productivity is such an

important indicator of a

nation's underlying economic strength, these trends raise the

question as to whether or not

the present recovery is qualita-tively different from earlier

Figures last month from

Britain's Department of

agross the whole economy in

the first quarter. The US, per-

economic upturns.

BNP
Badgerline
British Steel
Carlton Comms
Dresdner Bank
First Pacific
Fisons

same day.

2000

21 OMV 17 Ontario Hydro 17 Peregrine 20 Reuters 20 Rexboro

By Andrew Baxter In London

BRITISH STEEL may pull out of e plan to restructure the EC steel industry unless the European Commission takes tougher action

to curb state subsidies.

The levy is central to the Commission's plans to respond to the deep recession in the industry by cutting 30m tonnes of production

Mr Moffat will tonight warn Mr Karel Van Miert, the commissincer for competition, and Mr Martin Bangemann, industry commissioner, that the entire restructuring plan could fall if a deal on subsidies is not agreed by

He will be among a number of European steel industry leaders

the industry.

The Commission had originally September 30 to help reduce chronic overcapacity. But private

Officially the Commission still

sidies in time for the next EC industry ministers meeting on September 21. But with negotiations with Italian and Spanish producers dragging, this looks

increasingly unlikely.

Mr Moffat warned that failure by the Commission to reach a satisfactory agreement to cut state subsidies could cause bankruptcies among private sector

bopeful that the Commission's problems clinching a deal to cut state subsidies would only amount to "three or four months

=:5

To be launched Wednesday by Quotron and consortium of banks in London, New York, Zurich and

Will start with 200 dealers in 60

banks and institutions

O Dealers invited to trade in standard amounts of \$5m in \$/DM and £5m in \$/DM.

Mr Moffat said aubsidised producers were delaying reaching an

an excuse for doing nothing."

Mr Moffat stressed that British
Steel was broadly in favour of the
levy which would help to finance steel groups.

Mr Moffat said he remained

interests.

agreement in the hope that an economic upturn would ease the pressure on them to make cuts. He said: "The current situation is

production cuts over the next five years. But he warned British Steel would not participate if the deal was not in its shareholders'

MINEX

Went live in April, backed by a

telecom company, and Dow lones Telerata.

Systems in New York, Chicago,

London, Hong Kong, Singapore

Does not disclose the number of trades crossed or terminals used.

that it can wait to see how auto-

mated hrokerage develops over many years. And the pioneers of

consortium of Japanese banks and brokers, KDD, the Japanese

By Bernard Simon in Toronto

ONTARIO Hydro, one of North

financing, and has amassed bor-rowings of more than C\$34bn (\$26bn). "We simply cannot any longer tolerate 100 par cent debt financing, we simply do not have enough equity," said Mr Maurice Strong, chairman.

Mr Strong said that Hydro. which is owned by the Ontario provincial government, is preparing a financial restructuring which will include "very funda-

The province's left-of-centre New Democratic government has np to now been reluctant to endorse private ownership of Hydro. However, Mr Strong said that "the issue isn't privatisation; the issue is financial flexi-

Mr Strong, who organised last year's United Nations Earth Summit, has launched a farreaching shake-up at Hydro since he took over as chairman last December.

utility has set a goal of reducing borrowings by a third over the next decade, and trimming its debt-equity ratio from the present 83:17 to about 60:40.

spending hudget, and is also cutting 6,000 of its 29,000 jobs, and splitting its operations into three separate business units. Hydro expects to suffer a loss

of at least C\$1.6hn thle year. including an operating loss of about C\$200m. It cited slack demand for electricity, write-offs related to restructuring, and continuing problems at a nuclear nower station.

The shake-np is a response to growing concern among alectricity users at the steep hike in rates, which has averaged 7.3 per

Cheap power has in the pas been one of the chief drawcards for investors in Ontario and other Canadian provinces.

ada'a inflation rate.

British Steel may boycott Brussels levy Canadian

Mr Brian Moffat, British Steel's chairman and chief executive, will today warn the Commission that the company may not contribute to a levy to finance rationalisation among weaker producers because so little prog-ress has been made to cut subsidies to state-owned producers in Italy and Spain.

at a meeting in Strashourg tonight called to discuss the

asked steel companies to offer capacity cuts of 30m tonnes by sector companies such as British Steel, and the German producers Thyssen and Krupp-Hoesch, have beld back arguing it would be unfair for them to offer production cuts while the level of state subsidies to their competitors remained unsettled.

hopes it can reach a deal on sub-

James Blitz reports on the growing competition in automated trading systems

Automated dealing: a three-way fight

Foreign exchange dealers enter the 21st century

or nearly a quarter of a doesn't have a great future."

Century, Reuters, the news Brokerage still plays a considand information group, has been the world leader in the provision of electronic trading systems for banks which deal in currency markets. But this week, Reuters will find Itself in competition with some of its best clients, a consortium of the most powarful banka in foreign

Both sides are about to enter battle by offering rival automated dealing systems which can simulate the work done by hro-kers in the foreign exchange market. The products they are pioneering may change the face of one of the most actively traded financial markets in the world, one where global turnover has reached \$1,000bn a day. Last year, Reuters launched its

2000-2 automated brokerage system after several years develop ing it at an estimated cost of f60m (\$92.4m). It was followed in April hy Minex – a service backed hy Japanese institutions – much used in Asia.

On Wednesday, et Sam in London, dealers will be able to trade on terminals run hy the Elec-tronic Broking Service (EBS). This system, which cost around £40m to launch, has been backed by a dozen leading banks in foreign exchange - such as Citibenk and Chase Manhattan – who have formed a consortium with Quotron, specialists in electronic

"This is where the 21st century begins for foreign exchange deal-ers," says Mr Peter Bartko, chair-man of the EBS partnership. "in the long term, people have to accept that buman brokerage

ershle role in currency dealing. Roughly 60 per cent of deals in the currency markets are now done by traders in two banks or counterparties - who call one another up directly. The remainder of deals are done through brokers, who bring together

diverse buyers and sellers. Commercial hanks rely on brokers for a good proportion of their husiness and value their knowledge of the market. But they complain that the commissions charged for broking a deal are very high.

Automated brokerage termlnals do the same job as bumans at a reduced cost. A bank dealer using any of the three on offer can advertise a huy and sell price on dealing screens across the globe. Another bank dealer then

the identities of both partles

The banks are attracted by the

reduced cost of commission. But

they fear that 2000-2 will help

Reuters monopolise the market

in electronic dealing systems. Mr

Bartko admits that this is one of

the principal motives for this

around the world. On Mr Bart-

Reuters has 19,000 conventional

week'e launch of EBS.

Reuters 2000-2

Launched last year with 23 subscriber sites in two countries.

Now more than 230 dealing sites in 28 cities in 17 countries.

REUTERS

System has reached initial target of 1,000 trades a day, each for a minimum 1m units of the currency dealt.

ko's estimate, some 50 per cent of global foreign exchange transac-tions take place on them. "Reuters 2000-2 could move that figure significantly higher," he says.

He argues that the banks would be "at the mercy" of Reuters if its control of transactions jumped to 70 per cent. They would be in a position to dictate customer charges. Some bank dealers also argue thet Reuters could change the structure of the

hecoming important movers of

rival systems: the banks backing

it have 35 per cent of turnover on

the London foreign exchange

market. That means EBS could

establish high levels of liquidity

very quickly. Mr Bartko says liquidity is the key to success.

"You need to have 50 banks

sional market in, say, the dollar/

EBS has one advantage over

international capital.

D-Mark exchange rate. We already have the critical mass." By contrast, he says that Reuters 2000-2 cannot offer big volume deals in the main currencles because the large banks have not moved over to using it.

But Reuters is confident. Mr Bob Etherington, the company's international marketing man-ager, takes EBS seriously but dismisses fears that Reuters is seeking to increase charges hy monopolising the market. "in the last 12 years, the prices for using the Reuters Monitor Dealing Service have not kept up with infla-tion," he said. "We have not abused out position at all."

Mr Etherington believes that 2000-2 will acquire greater liquidity, but he will not reveal volume levels. "From the start, we set targets for the number of trades we wanted to see and we are meeting those targets." He also believes that it is far too early to judge the performance of 2000-2. "It takes a long time to establish these aystems in the marketplace as we saw with our earlier systems," he says. "You are asking dealers to start trading in a way they have never traded before, and that can take time."

Officials at EBS admit that

Renters has such buge resources

these systems know it will take a long time to bring currency dealers around to using them. One hindrance to automated brokerage is that traders must make a brokered deal by looking

at a screen and tapping huttons on a keyboard. That takes longer than listening to the hroker shouting a price on the phone and answering "done". In a market where every second counts, that costs money.

Dealers are also nervous to

offer a huy/sell price knowing that either side of the price can be "hit" by any currency dealer in the world. That is a more frightening prospect than operating through a trusted broker or dealing with a known counterparty, especially when exchange rates are volatile. Automated currency hrokerage

may never catch on. But it may also be the dawn of a Brave New World - a development no less significant than the launch of the early computerised trading systems in currency markets in the 1970s. The banks merely want to ensure that, if this is the technology of the future, Reuters is of the 1990s no higher than Cannology of the future, Reuters is not alone in developing it.

utility faces part sell-off

America's higgest power ntilities, is laying the groundwork for a partial privatisation to help ease its acute financial condi

The Toronto-based ntility at present relies entirely on debt

mental changes".

He indicated that these may include opening the door to outside equity participation.

hility".

As part of an austerity plan announced earlier this year, the

It has chopped its capital

cent a year since 1988

Growth industry in analysing output figures

By Peter Norman

baps reflecting the recent uneven nature of its recovery. turing industry, bave caught reported e seasonally adjusted 1.3 per cent annualised fall in non-farm productivity in the second quarter, revised from capacity utilisation rises. But output growth per head in US and UK manufacturing indusearlier estimates of a 2.5 per

cent decline. There is also no consensus among economists about the meaning of recent productivity

ical change, especially in infor-mation and communications technology, and investment by multinational corporations. These forces have transformed production methods and organisation of companies.

Heavy lay-offs among US white collar workers and the exceptional increase of sales of computar equipment, which doubled between tha and of 1989 and the first quarter of this year, are symptoms of this transformation which has been under way in manufacturing over the past decade, she con-

UK companies appear to be importing stete-of-the-art machinery and copying best practices abroad, while foreign in UK daily companies are investing in Britain to take advantage of relatively cheap labour, he newspaper

wort Benson Securities in London, Mr Albert

working practices is at histori-cally low levels, he says. highest level of any Group of

Seven country.
Mr Smith believes that UK productivity growth for the whole economy will hover around 2.75 per cent in the 1990s, and so be close to the very high growth rates achieved in the 1960s and the

in productivity between Britain and its main international competitors is so large, that "even if UK productivity growth was consistently 1 per cent higher than other countries, it would be perhaps 15 to 20 years before the UK could catch np with France and Germany, and more than 50 years before it could catch up with

TV group

Mr Green would like to add newspapers to his television interests which include Carl-Mr Murdoch's ability to set the media agenda in the UK.

Carlton is only one of six potential investors who have expressed an interest in taking a stake in Newspaper Publishing. The others include Associated Newspapers, publishers of the Dally Mail, and Mirror

man of Newspaper Publishing has made it clear his first priority is to install a new chief executive before going ahead with a refinancing that could involve raising up to £20m (\$31m).

control of the Daily Telegraph.

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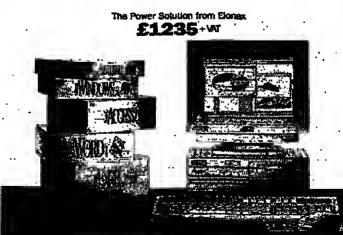
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that change



trends. In a recent paper published by the Brookings Institution of Washington, two distinguished US scholars, George L. Perry and Charles L. Schultze, discovered a notahle development in US productivity last year. They said thet **Economics Notebook**

Employment showed productivity in manufacturing was 8.2 per cent higher in the second after six quarters of recovery, quarter than in the same non-farm productivity in the period of 1992: much faster US rebounded past previous trend growth (by 1.6 per cent growth than the 3.1 per cent rise in manufacturing output at an annual rate) even though US gross domestic product had in the same period. The US Commerce Departheen stagnant. But, while describing this as a "striking ment reported last week that output per head in manufacturfact", they were unable to ing grew by an annualised 5.2 reach a conclusion if this per cent in the second quarter

marked a surprise break with and by 7.7 per cent in that part established patterns. of industry making durable Others are less cantious. Mrs Sylvia Ostry, head of the Cen-tre for International Studies et goods: an intriguing development considering that the US administration has reviced the University of Toronto and down its economic growth forea former chief economist at the Organisation for Economic Admittedly, broader mea-Co-operation and Development sures of productivity have perin Paris, helieves that formed less well in both counfar-reaching structural changes tries. The most recent UK may be bringing the US "close figures show year-on-year proto a higher growth trajectory". ductivity growth of 4 per cent

She suggests that the strong

services sector is about to experience similar changes. Such changes involve coets: job losses among previously highly paid middle managers could help explain why consumption has been so weak in America. But eventually the greater productivity growth should henefit the economy and give the US a new edge

Mrs Ostry believes that the

over international competitors. Some London economists see echoes of the US experience in Britain. Writing in this month's Gerrard and National Monthly Economic Review, Professor Tim Congdon, managing director of Lomhard Street Research and one of the chancellor's seven-man panel of independent forecasters, says UK manufacturing promanufacturing productivity ductivity "is doing wall, much the US," he says.

better than would normally be expected from previous cyclical

dealing terminals in banks using a system to make a profes-

Banks would be 'at the mercy' of

Reuters if its control of transactions

jumped to 70 per cent

"hits" the price hy typing currency market, if it so wished, instructions on to a terminal. Only when the deal is done are

wo economists at Klein-Edwards and David Owen, say British industry has followed the US example of investing heavily in computer equipment

that will facilitate corporate restructuring.
Mr Don Smith, an economist
with Midland Global Markets in London, expacts that increased investment as the UK economy recovers "will introduce a vast amount of new technology into industry and commerce". With the Brit-ish labour market more flexible than at any time since the 1960s, resistance to change in

As Prof Congdon points out, UK manufacturing productivity has been growing strongly for some years. The average annual increase was 4.8 per cent between 1979 and 1989, the

early and mid-1980s. But it needs to be. The gap

seeks stake

By Raymond Snoddy

MR MICHAEL Green, chairman of Carlton Communications, is interested in acquiring a stake in Newspaper Publiching, owners of The Independent and Independent on Sunday.

ton Television, holder of the London weekday ITV licence. The expression of interest from Mr Green, who is also chairman of Independent Tele-vision News, is being put in the context of trying to strengthen the opposition to Mr Rupert Murdoch's News International and challenging

Group Newspapers. Mr Ian Hay Davidson, chair-

Carlton Communications would only seek a stake of around 30 per cent although a "Conrad Black clause" would also be sought. Mr Conrad Black invested in the Daily Telegraph on condition that he would have right of first refusal on any further fund raising. As a result he won

COMPANIES AND FINANCE

board

shelves

rent plan

Property Correspondent

leasehold property.

THE Accounting Standards

Board has shelved a proposal

to force companies to make a

provision in their accounts for

imrecoverable rent on vacant

The proposal, which was put

forward by the ASB's Urgent

Issnes Task Force in June,

would have required compa-

nies to identify the likely

shortfall between their obliga-tions under their lease and the amount they would be likely

to recover by reletting the property. It had been expected to have a large impact on

some companies in London and the south east.

The British Property Federa-

It also said that the proposal

about a large number of vari-

Badgerline accelerates up the takeover trail

BADGERLINE Group, the bus operator which is coming to the stock market in November, has expanded rapidly by ecquisitions in the seven years since a group of managers end buy-out of the National Bus Company subsidiary.

It has taken over no fewer than seven other former NBC operations in a strategy similar to that pursued by other fastgrowing operators such as Stagecoach, the Perth-based ous operator which came to the market in April, and Draw-

lane Transport Group.
Of the 62 NBC companies sold to management buy-out teams, a large number have subsequently lost their independence. As a result, the Department of Trade and Industry has expressed anxiety over the rate at which small bus companies have been swallowed up, reducing the competitlon promised by the break-up of the NBC.

Mr Trevor Smallwood, Badg-erline's chairman, said that the position was monitored by the Office of Fair Trading and the Monopolies and Mergers Commission. Problems only arose in particular local areas and had been solved by giving assurances to the regulatory authorities. He believed there was still scope for further con-



Trevor Smallwood: still scope for further consolidation

Badgerline is one of the few companies to have expressed an interest in running some of British Rail's bigger operations, if they are privatised. Mr Smallwood said he was still interested in principle, but would need mucb more knowledge of the terms

before making a decision. The group, which runs 2,300 buses and coaches in the Midlands, south Wales and the southern England, is also interested in bidding for lncal authority bus services as they are sold off and in offering services in London. It already runs 70 Thamesway buses ser-

About 1,000 of Badgerline's 6,200 employees currently own about 90 per cent of the group's shares. Each year the original shares are traded among employees on a "matched-bargain" hasis. At the last auction, in April, shares originally worth 3.3p fetched £3.20.

The final value of the shares will not be settled until the structure of the flotation is agreed, but they are likely to be worth significantly more than £3.20. The flotation will be spon-

sored by Lazard Brothers, and

Cazenove will act as brokers.

tion, which represents landfords, said it had opposed the proposals because it could dis-courage people from taking ont a long lease for fear of beving to account for spece that was not used at a later date. It had the "potential to inflict serious damage on the

property investment induswould have made it difficult to compare figures in different companies' accounts because the provision would have depended on assumptions

Accounting | Plan that avoids expensive mistakes Paul Abrahams looks at the remaining clouds on Fisons' horizon

HE LAST 18 months have not been kind to Fisons, the pharmaceuticals and scientific equipment

A series of apparently endless regulatory problems, cul-minating in the withdrawal in the US of some of its best-sell-ing products, the subsequent resignation of its chairman. and a drubbing from the stock market which ended with the company dropping out of the FT-SE 100 Index, have all cast doubt over the future indepen-

dence of the group. However, Mr Cedric Scroges Fisons' increasingly confident new chief executive, believes his team, which last week announced an improvement in operating profits at the drugs division for the first time in nine months, has answered most of the questions asked about the group's future as an independent pharmaceuticals

The regulatory problems appear, at least for the moment, to be over. Mr Scroggs points out that Fisons has shown for the last six months that it can meet the

regulators' rigorous standards.
The question whether the company has sufficient scale to discover, develop and market new drugs, has also been mostly answered, says Mr

He adds that on the marketing side, strategic alliances in the US with Rhone-Poulenc Rorer for Tilade, the asthma trestment, and Allergan, a US group, to co-market Acular, the main competitor to Fisons' withdrawn product Opticrom, have shown the way forward.

The company is now looking to license in a number of compounds. One will take the place of Tipredane, Fisons' asthma treatment where development was halted in April because of lack of efficacy. Mr Mike Redmond, pharmaceuticals managing director, says the US sales force will have spare capacity after next year and most of the other salesforces are underutilised at present.

Fisons refuses to say which companies it has approached or the type of anti-asthmatic it wants to licence in. Mr Redmond says Fisons is not interested in a beta2-agonist, the most common form of asthma In the meantime, Fisons'

development capability has improved considerably, says Mr Redmond. Historically, Fisons has been one of the best places to do research in the UK pharmaceuticals industry, but its track record nn development has been lamentable.

The decision to cancel develment of Tipredane even has its brighter side, insists Mr Redmond in the past, the decision whether to cancel would have been put nff. Now, the development process has been improved so that decisions are made earlier to avoid expensive mistakes.

In addition, the development of Tipredene has provided Fisons with invaluable experi-



Cedric Scroggs: confident

ence in developing a product simultaneously around the world, explains Mr Redmond. Tilade was first launched in the UK in 1985, and is yet to filed with the regulatory authorities in Japan. Tipredane would have rolled out within only a few years.

The increasing willingness to collaborate with other companies means Fisons will also sign a co-development agreement with another group for remecemide, its product for epilepsy, an area in which the company has little expertise. The agreement will reduce the risks for Fisons.

For the longer term, Mr Redmond intends to license-in further asthma products at early stages of development. Innova-

tive medicines such as paf-antagonists and leukotriene antagonists are possible areas

for development Zeneca of the UK and Uptohn of the US are working on len-kotriene antagonists. Schering-Plough, the American group, is working nn a paf-antagonist Roche of Switzerland is work-

ing in both areas. Mr Redmond says Fisons can offer expertise in clinical research and delivery system. A number of companies are interested in using its patented multi-dose dry powder inhaler clinical trials. In addition, any partner could eventually use Fisons' sales forces.

Clouds remain on the Fischs' horizon. The US patents for the nebulised version of Intal, an asthma product and one of its best-selling drugs, expired in August. This version repre-sents about half of the drug's US sales. In addition, an FDA advisory committee will decide next week whether generic companies will be able to launch versions of the inhaled version without doing clinical

In the meantime, Mr Scroggs must turn his attention to the underperforming scientific instruments operations which fell into a loss during the first

six months. He admits the loss, likely to be repeated in the second half, is all the more galling because he was in charge of the business before he was appointed chief executive. "It's a very nasty episode," be admits. .

Roxboro to join market with £70m price tag

By Paul Taylor

ROXBORO, the Newmarket-based manufacturer of specialist electronic components, plans to come to market through an offer and placing next month which is expected to value the group at about £70m.

The company grew out of the £29m management buy-out of the electronic components division, Cambridge Electronic Industries Inow Graseby), In mid-1990. The buy-out, led by Mr Harry Tee, Roxboro's chief executive, was backed by Schroder Ventures.

After the "back-to-back" sale of the capacitor business for 19m to its management, Mr Tee has refocused Roxboro away from low-orangin commodity components and towards production of

higher-margin value-added devices. At the same time productivity has been improved and the workforce cut from 1.200 to 650.

The group, which has operations in the UK and US, recorded profits before tax and interest of £4.3m last year on turnover of about £36m. Interim results will be published in a few weeks, however Mr Tee says that profitability in the current year is "substantially" ahead of last year.

in the US the group's existing operations have been restructured and consolidated into one plant at Roxboro, North Carolina which is a leading third party supplier of electro-optical indicators using LEDs (Light Emitting

These indicators, sold under the

Dialight brand, are used extensively throughout the telecommunications, data communications and processing markets, and in the diversified industrial controis market.

Because of their long life they are elso increasingly replacing conventional light bulbs in control panels and In Britain, Roxboro's two plants at

Newmarket and Harlow manufacture specialist electromagnetic davices including relays, solenoids and filters which are sold under the Belling Lee and PED brands, mainly to the telecommunications, Instrumentation and industrial markets.

One new growth application for these devices is in the new generation of "smart" utility meters for controlling

Roxboro also designs and builds custom components for companies such as Schlumberger and Motorola.

"We have deliberately positioned ourselves as the number one two or three in our chosen markets," said Mr Tee. Following the flotation the manage ment is expected to retain about a 20 per cent stake in the enlarged company, which will then have a debt-free balance sheet. Mr Peter Smithan, a senior partner of Schroders Ventures will remain chairman of the group and two

join the board. The issue will be sponsored by Samuel Montague with James Capel as brokers and the stock is expected to begin trading early in November.

non-executive directors are expected to

	CROSS BORDE	R M&A DEALS		
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Renault (France)/Volvo (Sweden)	Agreed merger	Vehicle manufacture	c£6.5bn	Sector restructuring continues
Fortis (Netherlands/ Belglum	ASLK-CGER (Belglum)	Financial Services	£276m	Aiming for 50% stake
Reed Eisevier (UK)/ (Netherlands)	Official Airlines Guide (US)	Publishing	£271m	Agreed at last
Cadbury Schweppes (UK)	A&W Brands (US)	Soft drinks	£217m	Agreed cash bid
UnBaver (UK/Netherlands)	Unit of Kraft General Foods (US)	Food	est £195m	Tripting market share
Hagemeyer (Netherlands)	Newsy & Eyro (UK)	Bectrical distribution	£165m	BTR disposal
QBE Insurance Group (Australia)	Unit of Royal Insurance (UK)	Reinaurance	£39m	Non-core US disposal
Inchespe (UK)	PT Tensia Manufacturing (Indonesia)	Personal care	£1.37m	Buying BP International's 75%
Canon (Japan)	Walter Rentsch (Switzerland)	Office equipment	n/a	Ignores minority holders
Warner-Lambert (US)	Cachou Jaiaunie (France)	Confectionery	n/a	Pierre Fabre

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LIBERTY HOLDINGS LIMITED (Registration number 65/03145/06) numbers to the Republic of South Amou



(Registration number 83/06300/06) (Isosporard in the Republic of South Africa) Joint announcement regarding the results of:

LIBLIFE STRATEGIC

INVESTMENTS LIMITED

■ the offer by Liberty Life Association of Africa Limited ("Liberty Life") to its shareholders of renounceable rights to 114 570 968 ordinary shores in Liblife Strategic Investments Limited ("Libsil") at a price of 900 cents per share in the ratio of 50 ordinary shares in Libsil for every 100 shares held in Liberty Life;

• the offer of renounceable rights by Liberty Holdings Limited ("Libhold") to its shareholders of its rights to 59 516 498 ordinary shares in Libsil of a price of 900 cents per share in the ratio of 130 ordinary shares in Libsil for every 100 ordinary shares held in Libhold; and

the further offer to apply for additional shares in Libsil at 1 000 cents per share.

The results of the offer to shareholders of Liberty Life and Libhold of renounceable rights to 114 570 968 ordinary shares of 1 cent each in Libsil ("Libsil shares") contained in the circulars issued on 13 August 1993 are as follows:

Applications were received for a total of 113 984 539 Libsil shares, which includes excess

applications amounting to 514 889 shares thereby raising an amount of R1 026,4 million for Liberty Life before expenses.

The applications received resulted in a take up of 99,5% of the 114 570 968 Libsil shares which were offered by Liberty Life. Libsil's initial share register comprises over

- All applications for excess shares were allocated in full.

Posting of share certificates Share certificates in respect of the Libsil shares which have been taken up will be posted to shareholders of Libsil on or about Friday, 10 September 1993.

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Undated Floating Rate Primary Capital Notes

In accordance with the provisions of the Notes, notice is hereby given that for the three month interest Period from September 13, 1993 to December 13, 1993 the Notes will carry an Interest Rate of 3.4375% per annum. The interest payable on the relevant interest payment date, December 13, 1993 will be U.S. \$88.89 per U.S. \$10,000 principal amount.

By: The Chase Manhattan Bank, N.A. London, Agent Benk



To the Holders of First International Funding Co. Floating Rate Notes Pursuant to the Indenture dated as

Pursuant to the Indenture dated as of June 3, 1993 among the Issuer. State Street Benk and Trusi Company as Trusiee, end Financial Security Assurance Inc. as the Insurer, notice is hereby given that for the Interest Accrual Period from September 3, 1993 to December 3, 1993, the appēcable Notes Due 1996, 3.70%; for the Notes Due 1996, 3.80%; and for the Notes Due 2000, 3.95%.

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Payments will be made upon presentation and surrender of the Bonds at the main offices of Morgan Guaranty Trust Company of New York in London, Brussels and Frankfurt am Main or Banque Internationale 2 Luxembourg SA in Luxembourg. Such payments will be made in sterling at the specified office of any Paying Agent in London or, at the option of the holder, at any specified office of any Paying Agent by sterling cheque drawn on, or transfer to a sterling account maintained by the payer with a bank in Landon.

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COMPANIES AND FINANCE

A ripening target for a takeover bid | Ashanti to seek

Fyffes has turned from potential predator to prey, reports Tim Coone

TWO years ago, Fyffes, freedom of action than he had to spend their cash on an agri- Flavin. DCC has an 11 per cent the UK and Irish fruit anticipated when he joined the cultural trader outside their shareholding, the largest single distributor, looked to be on the verge of a significant expansion into the European mainland market as it raised 1960.2m in e rights issue and took on a new chief executive, Mr John Callaghan.

For many investors, these were signals that the McCann family, which had run the company since they bought it from United Brands in 1986, were preparing to take Fyffes into the European big teague of fruit distribution alongside US majors such as Chiquita and Dole, which control almost two-thirds of the "dottar"

banana market in Europe. "In the future we will be making fewer, but larger deals . . . attractive opportunities come in bigger packages, said Mr Cart McCann, the group finance director at the

Two years on, several efforts to make hig acquisitions have failed. The Fyffes warchest, totalling IE90m, remains largety unspent and Fyffes itself became in April the target of a takeover offer by Doie, which was rejected by the

Then tast month Mr Callaghan resigned with no clear explanation being given to

i le

MAA SEALS

shareholders. The stock market's exasperation with the company is growing. "The lack of information on a matter of such importance is a shameful disgrace for a publicly-quoted company," said one analyst.

The main interpretation in Dublin is that Mr Callaghan found that he was given tess

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group. Mr Neil McCann, the executive chairman, and bis sons Carl and David, hold the principal posts in the group. and - the argument goes were unwilling to cede executive control to Mr Callaghan.

Another view is that the

McCanns simply came to the

Its strong cash position and good European growth prospects make the group a potentially attractive company, especially to the big

for heading a fresh fruit trading business

Either way, the incident has been a hig embarrassment for the company, and undermined investor confidence in the management team, which has still to appoint a replacement chief executive.

Fyffes' fleeting interest earlier this year in purchasing a stake in Greencore, the Irisb sugar, milling and malting group, also also raised questions over management strategy, and whether it is as committed to building a Europe-wide fruit distribution

conctusion that Mr Callaghan's accountancy background was not necessarily the best suited

US players

network as it says it is. tt is thought that the McCanns might instead choose

core fruit and vegetable busi-

The company's cash is invested mostly in Irish financial assets, and with interest rates now forecast to dip as low as 6 per cent by the year end, pressure will be mounting on the company to spend the warchest on a big acquisition.

In its results for the first half to April, half of the IEI4m pretax profits came from interest income - a result which will not be repeated in the second

Mr Joe Gill, a food industry analyst at Rioda stockbrokers in Dublin, notes: "With interest incoma set to decline, Fyffes will require a strong recovery in operating profits or acquisition-driven profits to attain earnings growth in

So with stagnating performance, no significant acquisition on the horizon, and retrenchment taking place in the Dubtin headquarters, Fyffes looks like a ripening target for a new takeover hid.

ole's April offer, the first for Fyffes since the McCanns took over, valued the company at 19420m, or 191.15 per share, a six-year high at the time. The Fyffes board unanimously rejected the bid, but was careful not to brand it as hostile.

around the market that some of the key shareholders would be sellers at the right price. One of those is considered to be DCC, the Dublin-based holding company headed by Mr Jim

Enough hints were dropped

shareholding, the largest single bolding, and although Mr Flavin is a tong-term supporter of the McCanns he is also committed to developing DCC as an industrial bolding company.

Fysses stands to benefit under the new EC banana import regime, which came into force in July, being an importer from both the Central and South American "dollar" banana area as well as from the traditional African, Caribbean and Pacific countries, which enjoy tariff-free entry to

The new regime will allow Fylles to pick up market share from Chiquita, Dole and Del Monte, the main players in the "dollar" sector of the European banana market.

good European growth prospects make the group a potentially attractive company, especially to the hig US players. Chiquita, currently facing large capital expenditure commitments, and posting a loss

Its strong cash position and

last year of \$284m, is not considered a likely bidder, and would most certainly be regarded as hostile. Del Monte is stilt bedding in under tts new Mexican owners.

and so Dole remains the most

likely contender. Ms Patricia Fee, an analyst for BCP stockbrokers in Dublin, says that Fyffes' current share price, of £1.05, has a renewed bid by Dole priced in, although she said she does not anticipate an antagonistic bid. "Dole is dependent upon Fyffes for its sales in the UK market and will not want to prejudice those," she said.

London listing

ASHANTI Goldfields, owned jointly by the Ghanaian government and Lonrho, the international trading conglomerate, is to seek a London listing next year which could value it at up to £900m.

The Chanaian government, which owns 55 per cent of the mine, has decided to setl about one quarter of its stake. Lonwhich manages the mine and owns 45 per cent, has decided not to sell any shares. The sale will be Chana's big-

gest sell-off exercise to date. It

had recently called for interested hids from mining compa nies and asked the World Bank's International Finance Corporation to handle the sale. But in the past few months it decided that a flotation would raise more. It held a "beauty parade" of merchant banks last week to advise it on the sale. These included Morgan Gren-

fell with stockbrokers James

head of Ghana's privatisation programme, recently said Ashanti was "conservatively valued" at £500m. But the merchant hanks competing to advise the government on the flotation believe it could be worth up to £900m.

Mr Emmanuet Agbodo, the

Fottowing the takeover of Consolldated Goldfields by Hanson, the Anglo-US congiomerate, in 1989, the banks believe there could be "significant interest" in what will be the first big new listing of a

gold mine. However, they will have to overcome doubts about the stability of the Ghanaian economy and overseas dividend

remittance. Ashanti had a good first half, with gold production amounting to 380,000 ounces - 18 per cent up on last year. Lonrho has said that projected production for the year at 760,000 ounces is ahead of target.

Lonrho will retain opera-

Ulster TV rises to £1.97m

PROFITS of Ulster Television, the independent programme contractor, advanced from £1.79m to £1.97m pre-tax for the six months ended June 30.

on the back of a turnover some 2.5 per cent lower at £13.2m. Directors said that comparisons with last year were beset by complexities arising from the loss of Channel 4 airtime the introduction of a new basis of payment for network and

The improvement was scored

acquired programmes, and the implementation of the programme plans which UTV had submitted as part of its licence application.

They also noted that the improvement in profits was after deducting a half year prorata cash bid charge of £516,000 compared with an exceptional levy charge of £90,000.

The interim dividend is being lifted by 2p to 6.25p from earnings of 11.79p (10.22p).

intrum justitia

(Registered in Curação No. 41415)

Notice to Shareholders The Managing Board of INTRUM JUSTITIA N.V., a company incorporated and existing under the laws of the Netherlands Antilles, of which the registered office is located at Chumaceirokade 3. Willemstad, Curação, Netherlands Antilles, wishes to announce that it has been decided with the approval of the Supervisory Board to distribute an interim dividend for the 1993 (inancial year of 1.1 pence per ordinary share.

As of November 5, 1993 the interim dividend on ordinary shares will be payable at the following addresses:

Krediethank S.A. Luxembourgeoise 43 Boulevard Royal

Hambros Bank Limited London EC3N 4HA

Bearer Shareholders are asked to submit Coupon No. 11 to the paying agents for collection of the dividend.

Furthermore shareholders are hereby informed that the Semi-Annual Report on the Group's activities and results during the first six months of the 1993 financial year will be available at the registered office of the Company, the paying agents as mentioned above and at James Capel & Co Limited, Thames Exchange, 10 Queen Street Place, London EC4R 18L, United Kingdom

September 13, 1993.

L-2955 Laxembourg

Standard & Chartered

Standard Chartered PLC

US\$400.000.000 Undated Primary **Capital Floating Rate Notes**

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Determination period from 13th September 1993 to 13th October 1993 the Notes will carry interest at the rate of 3.50 per cent per annum.

Interest accrued to 13th October 1993 and payable on 12th January 1994 will amount to US\$29.17 per US\$10,000 Note and US\$291.67 per US\$100,000 Note.

> West Merchant Bank Limited Agent Bank

EUROPEAN COAL AND STEEL COMMUNITY ECU 15.000.000 8% BONDS DUE 1996

We inform the Bondholders that the redemption instalment of ECU 3.000.000, nominal due on November 7, 1993, has been satisfied by a drawing on August 24, 1993, in Luxembourg. The numbers of such drawn Bonds are as follows: in denomination ECU 1.000: **B51** .3915 · 7748 **7**70 **B050** in denomination ECU 5.000 10006 10007 10057 10061 10110 10112 10167 10169

> These Bonds will be reimbursed at par on November 7, 1993, coupon due on November 7, 1994 and following attached, according to the modalities of payment on the 8 onds. Amount outstanding after November 7, 1993 : ECU 9.000.000

10975 10977 10979

THE PRINCIPAL PAYING AGENT SOGENAL - GROUP SOCIETE GENERALE PARIS - 15, AVENUE EMILE REUTER - LUXEMBOURG

Secret life of the rich and well-connected

Simon Davies and Kieran Cooke profile Hong Kong entrepreneur Mr Robert Kuok

r Robert Kuck Hock Nien is not a typical media tycoon. A Malaysian Chinesa who bas based himself in Hong Kong for more than a decade, Mr Kuok makes only rare public appearances and avoids any

He is typical of a select group of the region's overseas Chinese entrepreneurs. One business associate summed him up with: "He is very private, very well-connected, very pro-China, and very rich."

Mr Kuok has no expertise in newspapers, and bis only media exposure is as a passive 33 per cent sharebolder in TVB, Hong Kong's largest sting station.

Mr Kuok's business empire stretches across national boundaries, encompassing a complex wab of private and public companies, mostly con-trolled by relatives or trusts. He earned his initial fortune

in the commodities business, and is still known as Asia's "Sugar King". He established his first sugar manufacturing enterprise in Malaysia in the late 1950s, moving into sugar cultivation soon after. With steadily rising prices, Mr Kuok amassed millions

PEREGRINE Investments, the

Hong Kong-listed pan-Asian

securities business, has been

disciplined by the colony's

stock market regulators for

misconduct concerning three

flotations handled by the com-

Peregrine, which last year purchased 24 per cent of UK

fund management group,

invesco MiM, bas rapidly

emerged as the largest inde-

pendent merchant banking

group in Hong Kong. It has

strong commercial and equity

links to some of the colony's

leading businessmen, such

as Mr Ll Ka-shing, Mr Gordon

By Simon Davies

in Hong Kong

the 1960s and early 1970s. Later, Mr Kuok expanded outside the region, forming a joint venture with the French Cie Commercial Sucres et Denrees, the world's biggest sugar

He became involved in the oil trading business, bought control of a Singapore shipping line and, through his listed Perlis Plantations company in Malaysia, started cultivating rubber and palm oil as well as mining tin and iron ore.
As the commodities side of

his empire was hit by low world prices, Mr Kuok concentrated on expanding into other sectors, notably his Shangri-La group of hotels. He now owns or operates 23 luxury hotels or resorts around the world.

The Kuok group has also moved into investments in housing schemes, in shopping complexes, and in beach resorts. Through all his business dealings, Mr Kuok showed himself to be adept at making the right connections and contacts - guanxi in Chinese.

Over the years he has built up a formidable network of regional business associates. including Mr Liem Sice Liong.

HK securities house disciplined

Wu and Citic's Mr Larry

A public reprimand was yes-

terday delivered to Peregrine's

broking arm over activities in the shares of three companies

floated by the group's mer-

The Securities and Futures

Commission also expressed concern that the listing rules

had been breached in two of

these flotations, where Pere-

grine failed to ensure that 25

per cent of the companies'

shares were placed in public

The SFC published three spe-

cific allegations against Pere-

grine Brokerage. It was accused of: engaging in stock trading "which was likely to be

from his sugar daaling in Indonesia, believed to be the world's biggest Chinese controlled group of companies

"The Kuok empire is one of a handful of overseas Chinese companies that have influence in virtually every country in the region," says a Malaysian analyst.

"The amazing thing is It's still, fundamentally, a family-run business with the patriarch himself making the big decisions. And because its dealings are mostly informal and secretive, no one really knows just how much it's all worth." Mr Kuok, who is 69, this year

officially retired from the day-to-day running of the empire. In the traditional Chinese manner, the Hong Kong and Singapore/Malayslan operations were divided between two sons; but equally traditionally, Mr Kuok has kept a close eye on their activities and remains at the core of the decision making process. One of the keys to his broad-

based business network has been his ability to cultivate political contacts. He has made substantial contributions to a wide range of political causes, and is close to the leadership in Malaysia, Indonesia, the Phi-

prejudicial to the interests of

the investing public"; contri-

buting to a restricted free-float in the shares of three newly-

listed companies; and failing to adequately monitor client trad-

Peregrine's dealing director, Mr Jimmy Pang, has had his

licence suspended for 2% years, and fellow director Mr Peter

Wong has also been publicly

reprimanded. Mr Pang has left

Peregrine agreed to pay

HK\$3.5m (US\$452,000) to a

stock exchange compensation

fund, "in recognition of the SFC's concerns about the three

areas of misconduct". It also

said it had taken steps to avoid

the group.

In 1976, Mr Kuok moved his headquarters from Singapore to Hong Kong, and became a permanent resident two years later. He owns two prime hotels, and his flagship com-pany, Kerry, has been active in trading and stockbroking. However, from the start his attention has been firmly

focused on China.

significant investment in China, the \$480m World Trade Centre in Beijing. His Hong Kong-listed botel arm. Shangri-La Asia, owns stakes in six mainland hotels, and he has committed billions of US dollars in investments ranging from an oil refinery and port development in China's Guangxi Province, to numer ous property projects. Through these investments, he has also built up an immaculate portfo-

lio of contacts in Beijing. His only Hong Kong-listed vehicle, Shangri-La Asia, has mainland minority shareholders which include the Ministry of Foreign Economic Relations and Trade, and the Beijing office of China International

Citic's Hong Kong-listed arm, Citic Pacific, in which Mr Kuok is now the second-largest shareholder. He has a 13 per cent stake in the company,

Recently, Mr Kuok's Kerry group secured a 15 per cent interest in the HK\$7bn (US\$903.2m) Western Harbour tunnel, which will link Hong Kong island with the new West Kowloon expressway leading up to the airport. The consor tium also includes Citic and China Merchants, another leading Beijing company in Hong

which has a stock market capi

talisation of HK\$30bn

Kong.
It is these connections with Beijing, combined with his lack of media experience, which will inevitably colour perceptions of his acquisition of the South China Morning Post, his largest single Hong Kong investment.

In a written interview in 1991. Mr Kuok admitted be was "averse to dealing with the media". He will undoubtedly remain a distant figure in the workings of his newspaper, but few are prepared to balieve that he will not provide both editorial and business direc-

Trade and Investment Corporation (Citic). Mr Kuok has been closely Profits at Pacific Dunlop

up strongly to A\$260m By Nikki Tait in Sydney

PACIFIC Dunlop, Melbourne-based industrial conglomerate, yesterday reported a 22.2 per cent advance in group profit after tax and abnormal Items, at A\$260,4m (US\$170.4m) for the vear ended June.

Before abnormal items, the rise was slightly smaller - up 21 per cent, while pre-tax operating profit rose 21.3 per cent to A\$384.7. Earnings per share stood at 27.5 cents. Turnover was 8.6 per cent higher at A\$6.3bn

Mr John Gough, chairman, said the improvement in operrepetition of "these problems". | ating profit had been spread

across the group. The company was "ready for another period of strong growth", he said. Performance was particularly marked at GNB Battery Technologies, where earnings before interest and tax

advanced 67 per cent. Elsewhere, solid results were returned by the distribution division, and by South Pacific Tyres and Pacific Dunlop Cables. In foods, the group was "on schedule to achieving the desired levels of profitability and returns".

Results from the footwear and textile business, and from the industrial, foam and fibre group were described as "satisfactory".

Dresdner, **BNP** open joint bank in Russia

By Leyla Boulton in St Petersburg

DRESDNER BANK and Banque Nationale de Paris have opened a joint subsidiary in St Petersburg in the first inauguration of a bank wholly-owned by foreigners in Russia since the Bolsbevik revolution.

Set in the former German embassy in St Petereburg, BNP-Dresdner Bank (Rossija) has a capital of \$10m and a staff of 80.

However, a cloud was cast on the opening by the Russian parliament's proposed ban on foreign banks dealing with Russian customers. It is due to decide on Friday whether to finally enact this restriction, which would go into force next January and last until 1996.

The law confining foreign banks to dealing with foreign clients has been pushed through parliament by powerful Russian commercial banks fearing foreign competition. It is opposed by President Boris Yeltsin, the government, the central bank, and parliament's own sub-committee on bank-

They see foreign banks, five of which have already received full banking licences, as a source of western banking expertise and foreign investment

One central bank official said yesterday he feared lastminute lobbying by the government and the central bank would fail to prevent parliament from going ahead with the law. Another, however, was quoted as saying the central bank would ignore any

parliamentary ban.
Mr Anatoly Sobchak, the St Petershurg mayor who wants to restore the city to its prerevolutionary role as Russia's banking centre, hailed "the courage and wisdom of the two banks in braving the risks to set up their bank".

SAS and Conair in charter deal

SCANDINAVIAN Airlines System and Conair, the Danish private airline, are to form Scandinavia's biggest charter boliday operation, Reuter reports from Copen-

The deal will create a company - Newco - with a

OMV warns of restructuring as losses continue

By lan Rodger in Zurich

OMV, the troubled Austrian integrated oll and chemicals group, has reported a first-half operating loss of Sch552m (\$49m) after a loss of Sch584m in the same period last

The group, which had forecast a return to profit this year, has been badly burt in recent months by low cost competition from eastern European refiners and chemical makers. It said it expected an operating loss of about Schlbn in the full year, and was unlikely" to pay a dividend.

It warned that large-scale restructuring measures ware planned. These would involve the closure of chemical plants, the disposal of selected chemical and polymar processing activities, and the formation of business alliances in some chemical and plastics sectors.

The bad news followed a week of turmoil in OMV shares among the most liquid and widely held Austrian equities in response to speculation about the results and the cancellation of a press conference pending approval by the supervisory board of restructuring plans. The shares tumbled from Sch797 on Monday to a low of Sch700 before recovering

to Sch742 at the week's close. The group said its plastics division had "an extremely dif-ficult time" in the first quarter, while earnings in the petrochemicals, refining and chemi-

cals businesses dropped sharply in the second quarter. The extent of the deteriorstion was emphasised by the fact that the loss was incurred in spite of cost savings of Schibn through earlier rationallsation programmes. The group said it did not expect any improvement in market conditions in the coming months. Turnover was flat at Sch40bn, and cash flow rose 8.7

per cent to Sch2.34bn. OMV said its exploration and production division improved operating profit from Sch20m to Sch260m, but mainly because of spending cuts and tha sale of its Canadian subsid-

The important refining business widened its loss from Sch300m to Sch380m, partly because of weak prices but also because of increased competition from low-cost eastern European refineries.

The marketing division eked out a Sch30m profit after a loss of Sch80m, mainly because of the benefits of rationalising the petrol station network.

Losses in the chemicals division doubled to Sch430m, as prices in western European industrial markets slid. Eastern European competition hurt fertiliser sales and

Plastics prices recovered slightly in the second quarter, but remained below previous year levels. The divisional loss expanded slightly to Sch710m

LTV plans share offer to help reorganisation

By Richard Waters in New York

LTV, the third-biggest US steel producer, is planning an inter-national share offering just weeks after emerging from seven years in bankruptcy pro-

The company plans to sell 20m new shares, 3m of them internationally, according to a filing last week with the Securities and Exchange Commission. Its share price fell \$1/2 on the news, to end last week at

LTV said it planned to use the proceeds to support its capital spending and make contriamong other things. As part of Smith Barney.

with creditors that allowed it to emerge from bankruptcy in: June, LTV agreed to pay \$850m. into its pension fund at once to cover part of the plan's \$3m underfunding. It has to pay the remainder over the next 28

The issue will be the second injection of capital for the steelmaker: its financial reorganisation also triggered a. \$200m investment from Sumitomo Metal Industries of Japan, which now bolds. around 10 per cent of the com-

The shara issue will be underwritten by Salomon DKr2bn (\$303m) turnover and butions to its pension plan, Brothers, Goldman Sachs and

RICHEMONT

COMPAGNIE FINANCIÈRE RICHEMONT AG, ZUG, SWITZERLAND RICHEMONT SA, LUXEMBOURG

The annual general meetings of Compagnie Financière Richemont AG, Zug, and Richemont SA, Luxembourg, which were held on 9 September 1993 have resolved that the following dividend be paid to holders of Richemont units:

Gross dividend per unit Payable from

Tuesday, 28 September 1993

In respect of Coupon No. 5 The dividend will be paid to unitholders by Richemont SA and represents a dividend of 7.85%, including the preference dividend, on the amount of the reserve established in respect of the participation certificates issued by that company. The dividend is payable free of charges and without deduction of withholding tax.

Coupons may be presented for payment at any branch of the following banks:

Bank J. Vontobel & Co. AG Pictet & Cie

Uoion Bank of Switzerland Dariet, Hentsch & Cie Anlage- und Kreditbank AKB

13 September 1993

Compagnie Financière Richemont AG 6300 Zug, Switzerland

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shares by ATEV

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REMINDER — THIS OFFER WILL CLOSE ON

FARE SELECTEMBER 1995

Shareholders wishing to sell their Sextant Avionique shares are kindly requested to instruct their bank or stockbroker before this date.

The prospectus registered by the Commission des Opérations de Bourse under nº 93-401 as of 2nd September 1993 was published in Les Echos dated 7th September 1993. It is available from Crédit Commercial de France and the headquarters of the Company.

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Warns of icturing as i continue

Technology is a magnificent thing. Unfortunately, it is also an unbelievably expensive thing.

Indeed, the latest technology could end up costing a company millions of pounds.

More's the pity, it doesn't stay the latest for very long. Which is why those companies who want to keep up with IT have to keep buying and buying and buying and buying new systems.

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lans share offe y reorganisation

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> TROUBLE IS, THEY'RE COMPUTER COMPANIES.

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DER LL CLOSE ON

BER 1993

If only your IT worked more effectively, perhaps your HQ

Signs point to extended advance

UK allts yield

Restated at par (%)

Sep 03, 1993

est in the various strategies for

pulling back the state deficit,

which according to the Trea-sury's last forecasts in March

will drop only marginally to £44bn in 1994-95 from £50bn

this financial year. Many pri-

vate-sector economists, includ-

ing some of the Treasury's out-

eide advisers, believe

significant cuts in public

spending may be needed, alongside the £18bn of tax

increases already scheduled for

The consensus among econo-

mists is that it would be diffi-

the next two years.

Sep. 10, 1993

20

AFTER another fall in long-dated gilt yields and soothing words from the UK chancellor about public bor-rowing, bond investors see little on the horizon to interrupt the upward movement in prices of the past few months.

The drop of about 10 basis points in yields of 20-year gilts during the week brings the fall in the past month to roughly 70 basis points. In the year since sterling left the European exchange rate mechanism, yields for this class of gilts have dropped by more than 2 percentage points, underlining expectations that inflationary pressures will remain muted

Investors were cheered last week by comments by Mr Kenneth Clarke, the chancellor, that he was prepared for tough action in his Budget on November 30 to curb the growing gap between state spending and borrowing

for some time.

Although such remarks have become obligatory for any chancellor, Mr Clarke has expressed himself with enough force to persuade many gilt practitioners that he means

With a raft of government data this week - notably Wednesday's retail price index for August - about the UK economy, and an expected announcement by the Bank of England that a gilt auction of about £3bn will be held at the end of the month, trading over the next few days can be expected to pick up.

In the short term, funding will provide few worries for the market, given that as the Bank has already sold about £30bn of the £45bn or so of gilts which it will probably have to despatch during this financial year. So the Bank probably sees no need to accelerate its programme of gilt sales, mainly through monthly auctions.

However, expectations that the Bank will sell internationally important 10-year etock at this month's auction slowed foreign demand for this type of gilt during the past week, one factor for yields being little changed in this section of the gilt curve.

Later in the 1990s, the volume of gilts needed to fund the high projected borrowing requirements may force up yields. That explains the inter-

cult to make substantial inroads into the planned spending of \$254bn in the next financial year. However later in the 1990s parts of the £70bn-a-year social security budget could be cut, especially in areas such as child benefit.

Professor Patrick Minford of Liverpool University, one of the "eeven wise men" who advise the Treasury on economic issuee, favours an urgent programme of public spending cuts from 1995-96.

Both Prof Minford and Mr Andrew Sentance, head of eco-nomics at the Confederation of British Industry and anothar wise man", see no need for Mr Clarke to announce more tax increases for next April. This is on the grounds that the expected recovery will automatically push up tax revenues.

However, Professor David Currie, head of economic forecasting at the London Business School and another Treasury adviser, believes the underly ing deficit is so big that a further increase in taxes of up to £4bn may be needed from

Peter Marsh

US MONEY AND CREDIT

Inflation watch proves unsettling

TAKE another cigarette from the packet. Light up, sit back and draw deeply. If you dwell for too long on the heights to which the US bond market has climbed, you'll need something to steady your nerves, and after all, smoking is now cheaper than it's been for

Cigarette prices have become one of the most powerful symbols of this deliationary era. Last month, the price of cigarettes tumbled by no less than 25.6 per cent. The price war sparked by Philip Morris earller this year, when it amounced a cut in the price of its Marlboro brand for a trial period (later made permanent),

finally hit home. The downswing in cigarette prices accounted for the 0.6 per cent fall in the producer price index for finished goods in August, the biggest drop for more than two years. Without tobacco, the figures released on Friday showed e 0.2 per cent rise for the month.

After the three previous months of declines (reversing the up-tick in spring which seemed to berald a rise in inflation), the latest figures brought the annual rise in the producer price index down to a pairry 0.6

The figures sparked yet another round of buying in the bond market's latest twomooth surge. The benchmark 30-year Treasury bond staged a one-point rally, driving the yield down to 5.87 per cent. At

that level, the yield was seven basis points lower than a week before, and around 70 basis points lower than at the beginning of August.
It all feels like a year ago,

when weak August employ. ment and prices figures raised questions about the strength of the US recovery.
The bond market bulls had

something else to celebrate last week: a sharp setback in the gold price. The rally which had taken the price of gold from less than \$340 an ounce to nearly \$400 appeared in the early summer to herald a belief that resurgent inflation was about to make a come-back. On Thursday, though, no

less than \$14 an ounce was wiped off the price of gold, leaving it at around \$350 an ounce and putting the market back close to its lowest for seven years. Weak oil prices which contributed to the August slump in the producer price index - have also raised the spirits of bond buyers.

Nevertheless, the Treasury market is becoming a dangerous place to be for those of a nervous disposition. Just a day before Friday's producer price numbers, the price of the long bond dropped a point and a half, driven down by news that the powerful House Ways and Means Committee was to review the exemption from withholding tax of foreign investors (the withholding tax was lifted in 1984).

Given the scale of the US | Davies in Hong Kong.

budget deficit, and the role played by foreigners in financing it, no-one seriously expects a withholding tax to be reim-posed (a more likely reason for foreigners to stay out of the Treasury market is the weakening dollar.) However, the market was looking for the chance of a correction, and the withholding tax scare seemed

as good an opportunity as any. Were the last two days trad-ing a warning of greater vola-tility to come? Speaking during the relative calm of Wednesday, Mr Leif Oisen, a former chief economist of Citicorp, who now runs his own consultancy, Ecom Consultants, cautioned that the bond market was about to enter a more volatile period.

After several months of low inflation, one or two months of higher-than-average price rises will be needed to keep inflation for the year at the 2.5 to 8 per cent level that most economists expect (the recent figures have not prompted economists to review their inflation forecasts downwards, whatever the

pushed to tell whether it is just one month of higher prices, or whether the long-run trend has turned up, says Mr Olfsen. Mr David Hale, chief economist of Kemper Financial Services of Chicago, has a similar point to make. Writing ahead of last week's figures, he pointed to the likely inflationary effects of the mid-west flood on food prices, and the imposition of a gasoline tax. The odds are high that there will be at least one or two months of 5 per cent inflation at annual rates during the fourth quarter. If industrial

market markets' outlook).

When the monthly data

show a bigger rise in prices how will the bond market

react? Investors will be hard-

raw materials are also firming there will probably be a set back in bond prices and the Fed will have another serious discussion about whether it should bike short-term interest rates," he said

Time for another cigarette? Richard Waters

HK developer in China move

NEW WORLD Development, one of Hong Kong's largest property developers, is launching a US\$200m Dublin-listed investment holding company to help fund expansion into mainland China, writes Simon

The newly-formed company, New World China, will be 37.5 per cent-owned by New World and will acquire a number of the parent company's existing China investments. Initially it will take on around US\$80m of existing projects.

t,

GERMAN BONDS

D-Mark's strength provides support

AFTER last week's "rate cut that wasn't". German govern-ment bonds are expected to stay supported in the short term by the D-Mark's continu-

ing strength. Moreover, slow economic growth and the government's restrictive fiscal etance are expected to keep a lid on inflationary pressures, allowing the Bundesbank to cut rates further - albeit slowly - and sup-porting bunds in the longer

While the Bundesbank last week cut its discount and Lombard rates by a half point, to 6% and 7% per cent respectively, it lowered its more important repo rate by only 10 basis points, to 6.70 per cent, reaffirming its cautious easing

Bund yields rose on the news on profit-taking after the recent rally. Ten-year yields have fallen some 110 basis points since the beginning of the year. In the past month

repo easing has capped long yields and boosted the D-Mark against the dollar and most European currencies. Most analysts say this scenario is likely to continue supporting bunds in coming weeks.

According to Mr George Magnus, chief international economist with SG Warburg, a revergal of the D-Mark's strength is unlikely. For one, European central banks will continue buying D-Marks to shore np their foreign reserves, which were depleted by heavy currency intervention during the recent crisis in Europe's

exchange rate mechanism. Moreover, as Germany's neighbours etart exploiting their wider ERM fluctuation bands to cut rates independently, their currencies may weaken further against the D-Mark, he says. Lastiy, Mr Magnus points out that

alone, they dropped by 25 hasis points to 6.12 per cent.

However, last week's modest

German real short-term rates are unlikely to fall much as their decline will go hand-inhand with a decline in infla-

> The Bundesbank justified its latest rate cuts with ebbing inflation, lower-than-expected money supply growth, and the D-Mark's strength.

> In western Germany headline inflation is currently running at 4.2 per cent, but economists expect the rate to fall to around 3.5 per cent by the year end, and well below 3 per cent

M8 money supply, which grew by an annualised 7.4 per cent in July, is set to rise further in August, bloated by thet month's heavy currency intervention.

However Bundesbank president Mr Helmut Schlesinger said recently he expected M3 to return to its 4.5 to 6.5 per cent target later this year. The Bundesbank regards M3 as an indicator of future inflation.

Meanwhile, Bonn's plans for a tighter fiscal stance indicate the total public-sector deficit as a percentage of GDP will fall in coming years from some 8 per cent in 1993. All this will support bunds in coming months, and analysts see 10-year yields falling to around 6 per cent by the year end, and as low as 5%

per cent in 1994. Continued rate cuts by the Bundesbank would enable investors to make quick profits by placing their money at the short end of the yield curve. But longer-term investors are still best off at the long end, most analysts concur.

"When the Bundesbank starts easing again, the shorter maturities should perform well," eaid Mr Rainer Back, bond etrategist at DB Research, a Deutsche Bank subsidiary. But over the longer term, the long end offers the best total returns."

Conner Middlemann

CORRECTION NOTICE DONG AH CONSTRUCTION INDUSTRIAL CO., LTD US \$ 100,000,000

Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the six months period from September 8, 1993 to March 8, 1994 (181 days)

The interest payable on March 8, 1994 will be US \$ 251.39 in respect of each US\$ 10,000 Note and US\$ 6,284.72 in respect of each

Agent Bank MANGEL INTERNATORIALE A LUXEMBOURG

ARTIFICIAL INTELLIGENCE YUTURES TRADING
"INTELLIGENT TECHNICAL SYSTEMS"
LEADING CONSULTANTS.

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CONTRACTS & TENDERS

HUNGARY

TELECOMMUNICATIONS PROJECT FOR THE BUDAPEST TRUNK NETWORK

INVITATION TO TENDER

This Invitation to Tender follows the Geoeral Procurement Notice embracing this project which was published in Procurement Opportunities, No. 1 dated April, 1992.

The HUNGARIAN TELECOMMUNICATIONS CO. LTD (hereinafter referred to as HTC) bas received a loan from the European Bank for Reconstruction and Development embracing a project for the development of the Budapest Trunk and Junction Transmission

HTC oow invites sealed tenders for a supply and installation contract with the following conteot:

Reconstruction and expansion of existing plant with an overall length of approximately 4 km and construction of oew underground plant with an overall leogth of approximately 9 km and an average of 8 ductways throughout.

Installation of optical cables utilizing some 32 km of previously purchased Pirelli cables with an average of 40 fibres and some 74 km of oew optical cables and an average of 40

Supply and installation of 140 x 34 Mbps and 51 x 140 Mbps optical line transmission systems and associated 2/34 Mbps and 34/140 Mbps mulitplex equipment. The works to be executed under this contract cover almost the entirety of the Budapest

territory. Tendering for contracts to be financed with the proceeds of a loan from the European Bank

for Reconstruction and Development is open to firms from all countries. Tender documents may be inspected at the address below as from 22nd September, 1993 and purchased upon payment of a oon refundable fee nf USD 400 (local companies shall pay HUF 39.600). Remittances shall be made to the account of Inteltrade Co. Ltd with

Citibank, Budapest number 98931/2949 - 008 using the following reference: EBRD Tender No. TB-106/KA

Tender documents will be made available on presentation of the receipt for the effected

INTELTRADE CO. LTD.

Mr Attila Kovács, Head of Procurement Dept. Budapest, II, Medve utca 25-29, 1027, Hungary Tel: (+36-1) 201-0054 nr 175-4590 Fax: (+36-1) 201-0017 nr 201-0008

All teoders must be accompanied by a bid security, in an acceptable form, of 3% of the value of the bid in any freely convertible currency and must be delivered to the above address not later than 11.00 am on 23 November, 1993. The tenders will be opened promptly thereafter in the presence of the tenderers' representatives who choose to attend.

LEGAL NOTICES

No. 007440 of 1993 IN THE HIGH COURT OF JUSTICE IN THE MATTER OF THE MANCHESTER SHIP CANAL CONPANY

IN THE MATTER OF THE COREFANDES ACT 1985
NOTICE OF MEETINGS
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on the 21st day of September 1993 of the
respective these mentioned below:
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Ordinary Shares at 11.30 a.m.:
(11) the Meeting of the holders of the Schame
Ordinary Shares at 11.30 a.m.:
(12) the Meeting of the holders of Scheme
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Preference Shares at 11.45 a.m. or as soons
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obtained at the principal office of the Company
and of the officer of its saticities. The principal
offices of the Company is at Ocay West, Trefficed
What Zond, Manchesse, MIT 11HE.
The said shorthelders mancher person, whether a
shorthelder of the Company or sot, as the're pushed COMPANIES ACT 1985 NOTICE OF MEETINGS

The self obserbalders may vote in person at such of the sulk Meetings as they are estited to strend or they may appoint another person, whether a staroholder of the Company or sot, as their proxy to attend and vote in their stead.

A form of proxy for tex at each of the Meetings is available as stoted stove.

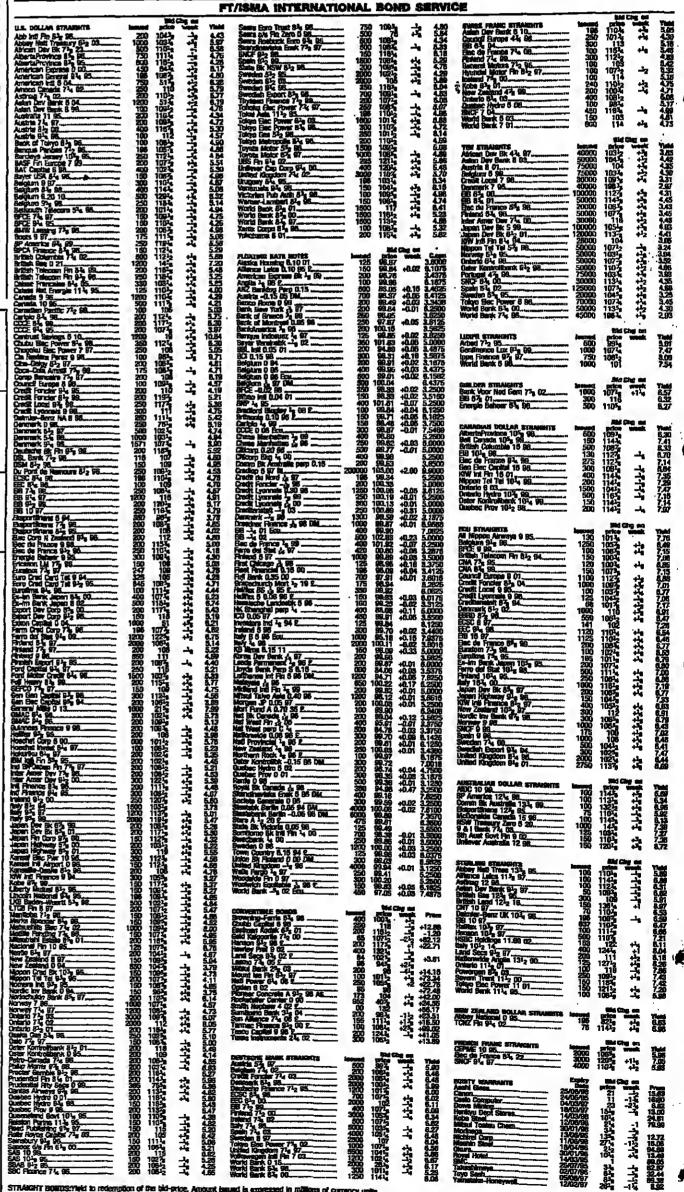
In the case of joint holders of either class of share the vote of the senior who benders a vote, whether in person or by proxy, will be accupied to the enclosion of the votes of the other joint holders and for this purpose such circ will be accepted to the enclosions of the votes of the other joint holders and for this purpose such circ will be accepted to the enclosion. It is requested that forms appointing proxies by ladged at the Company's registers, RPMG Peat Marwick, Preyons, Subscon-Treat, Serfis STI JDR, not less than 46 hours before the respective times appointed for the said Meetings, but if forms are not so ledged they stray be based of the Contrass of the Meeting at which they are to be used.

By the said Order the Court has appointed Sir-Pater Lazarsa or finding this J J Chiffon Enq or failting him Councillor G E Stringes to nor or failting him Councillor G E Stringes to nor or failting him Councillor G H Stringes to nor or failting him Councillor of the Meetings and has directed the Chairman in report the respect to the Court. The said Scheme of Armagement will be subject. the court.

The said Scheme of Armagement will be subject to the subspect approval of the Court.

IIATEU 31st August, 1993

Asburst Morris Crisp
Broadwalk House
5 Appoid Street
Loadon BCZA 2/IA
Solidiors to the Company



STRAIGHT BOBDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units. FLOATING RATE NOTES: IS dollars unless indicated, Margin shove shr-morth othered rate for US dollars. C. Con-co-COMVENTIBLE SOMESS: IS DOLlars unless indicated. Premisercentage premium of the current effective price of bur WARRAINTS-Fourth warrist community of burning and price of burning the content of the current effective price of burning the content of the current effective price of burning the current programmer.

INTERNATIONAL CAPITAL MARKETS

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FRENCH FRANCS

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IFC emerges from the World Bank's shadows

THE International Finance S1.6bn will be in the form of loans, which the IFC will finance by borof the World Bank, is starting to emerge from the shadow of its bigger and older sibling.

In the past, the IFC's presence in the international bond market has been dwarfed by the World Bank, whose borrowing programme is about 10 times bigger than the IFC's. However, rapidly growing demand from developing countries for private-sector financing could well tip the balance more in the

IFC's favour in the coming years. Mr Robert Graffam, director of the IFC's treasury and financial policy department, says volume of new financing has risen 20 per cent a year over the past five years.

Although the lion's share of the IFC's investment programme is financed through loans, it also makes equity and off-balance-sheet

For example, the new investment programme for the current fiscal year, which runs until the end of June 1994, is estimated at \$2.4bn. Of the total, Mr Graffam expects that The World Bank's Offering was

rowing in the international bond market. This compares with a borrowing programme of about \$1bn in the 1993 fiscal year, and an annual average of \$800m in the preceding

three years. The IFC tends to conduct most of its borrowing in fixed-rate dollars, which are then swapped into floating-rate dollars. This is because 90 per cent of its lending is denominated in the US currency. However, It taps other sectors of the international bond market if they offer attractive swap opportunities back into dollars.

It has already raised about \$650m this fiscal year through various issues denominated in Hong Kong dollars, lire and yen.

The IFC plans to launch a dollar Eurobond issue of between \$300m and \$500m in the next three months. Mr Graffam is aiming for a spread of not more than five basis points over the yield on the World Bank's latest global bond offering.

underlying US Treasuries at the

The IFC's average funding target 50 basis points below dollar Libor (London interbank offered rate). But the IFC, which is triple-A rated, only achieved 36 basis points below dollar Libor in fiscal 1993, mainly because of a lack of arbitrage opportunitles. Currency and interest rate swaps were hindered by volatile financial markets earlier in the year, when the European exchange rate mechanism came under pres-

The IFC is an intensive user of derivatives. This facility has been extended to its clients to enable them to manage risk more smoothly and to trade on the same terms as competitors in the developed world. Most developing countries are barred from the international derivatives markets because they are not regarded as acceptable counterparts m a swap transaction. The other obstacle is a lack of information

priced to yield 10 basis points over about how to operate in these world, but at present more than 60 highly complex markets.

in the international derivatives and Asia. for its Eurobond issues, which usu- markets - the notional value of its ally have a maturity of five years, is swap book stood at \$4.90n at the end of fiscal 1993, against total bor-rowings of \$5.5bn - it can act as an intermediary for its clients.

Mr Graffam gives the example of an Egyptian steel company which would have been driven out of business but for the IPC's access to the derivatives market

The company was having increasing difficulty in servicing a large yen-denominated loan, taken out to finance the purchase of capital equipment from Japan, because the ven had started to rise sharply and lis revenue was denominated in dollars. However, the IFC saved the company from bankruptcy by executing a series of currency swaps

"By using derivatives our clients can eradicate mismatches which should not have been there in the first place," Mr Graffam says. The IFC is active throughout the

Sep.2005 Oct.1998

on its behalf.

sighly complex markets.

Since the IFC is eligible to trade folio is located in Latin America

However, Mr Graffam expects the weighting to shift to eastern Europe and the Middle East over the coming years, as those regions adopt market-oriented economic policies The IFC recently made its first investment in Lebanon for 10 years.

The IFC, whose share capital is provided by its 155 member couniries, seeks profitable returns on its loans and equity investments. "We would like to be increasingly self-sustaining," says Mr Graffam. "We cannot rely on getting additional financing from our shareholders."

· Moody's Investors Service, the US credit rating agency, has ingraded the foreign-currency debt rating of the People's Republic of China by one notch to A3 from Baal. The rating has been assigned to China's Y30bn five-year Eurobond issue launched last week.

7.443 +63 (7½%-03) Wood Gundy 6.293 +10 (8½%-98) Dalvis Europei 7.000 +75 (6½%-98) Wood Gundy

Antonia Sharpe

RISK AND REWARD

Divisions hazy in **OTC** derivatives clearing debate



over-the-counter derivative products. debated at last week's annual gathering of exchange executives at Burgenstock in Switzerland, is attracting mounting attention.

but the industry remains divided by vested interests.

OTC instruments are currently settled hilaterally (between two counterparties), while exchangetraded contracts are settled through a clearing house, which assumes the credit exposure. The issue has highlighted the blurring of defini-tions of exchange-traded and OTC

Historically, the distinction has been that exchange-traded instruments are highly homogeneous and standardised products, while OTC instruments are individually designed to suit each clients' needs and therefore unsuitable for central clearing.

The reality is that standardisation is relative. For example, parts of the dollar swap market are liquid and actively traded using the International Swaps and Derivatives Association's master agreements.

Several exchanges have looked at the possibility of using their own clearing houses to settle OTC products, a potentially lucrative husiness. OM Stockholm already offers a service known as tailor-made clearing for certain

instruments.

The most advanced project is to use the Options Clearing Corporation to operate clearing for OTC market participants through Multinet, which is being set up as a New York bank by founding members, which include First National and

There have also been efforts by exchanges to design products which emulate the specially-tailored char-acteristics of OTC swaps and options.

The most successful venture to date has been the Chicago Mercantile Exchange's flex options. Other exchanges, including the American Stock Exchange - which launched its first flex options on stock indices on Friday - and the Chicago Board of Trade - which plans to launch flex options on treasury futures -

THE clearing of are hoping to emulate that success. However a global service offering clearing to the broader OTC market could come from a different source. The Exchange Clearing House -Echo - will next year offer multilateral foreign exchange contract netting and settlement on a global basis. Its dozen shareholders are all banks, including Barclays, Com-merzbank, Rabobank and Banque Nationale de Paris

Mr Graham Duncan, managing director of Echo, says the scope may be extended to include longerdated. derivative instruments. However, the issue is a complex one. In the foreign exchange market, the main worry is settlement risk: overnight exposure to a credit often for very large amounts of

In the derivatives market there is not only the initial settlement risk. but credit risk continues throughout the life of the swap. If a clearing house were involved, the clearing house, not another bank or company, would become the counterparty.

This solution may not be favourably viewed by the top-rated banks, which currently not only have a competitive advantage, but are able to charge a premium of 5 or 10 basis points to their clients, because of their strong credit ratings. Since most of them are not keen to sacrifice this advantage, the chances of a pan-industry drive for derivative instruments appears

There is another more serious argument, which suggests that an OTC clearing house could actually increase, rather than reduce, risk. It goes like this: bank deposit guarantee schemes have proved dangerous because investors take the view that, as long as their money is guaranteed, they should go for the best

return regardless of credit. Similarly, in a clearing house agreement, low-rated banks could be given excessively large credit lines by other banks because they know they do not have to worry

about credit. However, there are pressures in the other direction too; regulatory and capital pressures may yet drive banks towards multilateral clearing in the OTC market.

Tracy Corrigan

NEW INTERNATIONAL BOND ISSUES

CANADIAN DOLLARS

Ford Credit Canada(a1)

Province of Ontario

GUILDERS

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Dow Chemical Company	150	Oct.2000	4.825	101.25	4,414	-	Credit Striese



Dec. 1998

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£160,000,000 Syndicated Term Loan

Arranged by

Lead Managers

Baring Brothers & Co., Limited

Barclays Bank Plc . Bayerische Landesbank Girmentrale

Credit Suisse . The Royal Bank of Scotland plc

Co-Manager

Baring Brothers & Co., Limited Doutsche Bank AG London The Fuji Bank, Limited + The Sakum Bank, Limited

The Sumitomo Bank, Limited

Participants Lloyds Bank Plc

Bank of Scotland . Den Danske Bank

The First National Bank of Chicago
 GiroCredit Bank

Morgan Guaranty Trust Company of New York

National Bank of Abu Dhabi

Nomura Bank International plc

Westdeutsche Landesbank Ginzentrale

Yamaichi Bank (U.K.) Plc

Facility Agent Baring Brothers & Co., Limited Internationale Nederlanden Bank N.V

US\$200,000,000 Subordinated collared **Coating rate Notes**

Notice is hereby given that for the interest period 13 September 1993 to 11 March 1994 the notes will carry an interest rate of 5.125% per annum, interest payable on 11 March 1994 will amount to US\$254.83 per US\$10,000 note and US\$6,370,66 per U\$\$250,000 note.

Agent: Morgan Guaranty Trust Company **JPMorgan**

The Financial Times plans to publish a Survey oo

MEXICO

on Monday, October, 11th 1993

against a backdrop of next yeer's Presidential elections, and with the North Americao Free Trade Agraement still banging in the balance.

The survey will include among other topics, assessments of the economy, the banks and brokerages, and examine Mexico and its standing on the international markets, as well as spotlighting the country's most important

Information on advertising opportunities and rates can be obtained from Paul Maraviglia on 071-873 3447 or Fax. 071-873 3595.

This announcement appears as a matter of record only



Fyffes plc

through its wholly-owned subsidiary

Fyffes Group Ltd

has established a Spanish joint venture company with

Grupo Regional de Cooperativas del Archipiélago Canario (COPLACA)



The undersigned initiated the transaction and acted as financial advisor to Fyffes

The Chase Manhattan Bank, N.A.

July 1993



(Incorporated in Hong Kong with limited liability)

U.S.\$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES (SECOND SERIES)

Notice is hereby given that the Rate of interest has been fixed at 5% and that the interest payable on the relevant interest Payment Data December 13, 1993, in respect of USSS,000 nominal of the Notes will be \$1,263.89. September 13, 1993, London
By: Citiberik, N.A., (Issuer Services). Agent Bank

CITIBANG

U.S. \$200,000,000 has been issued as the initial Tranche The Bank of New York Company, Inc. Floating Rate Subordinated Capital Notes due 1997

U.S. \$275,000,000

Notice is hereby given that the Rate of Interest has been fixed at 5.25% p.a. and that the interest payable on the relevant Interest Payment Date, December 13, 1993 against Coupon No. 32 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$132.71.

September (3, 1993, London

By: Ciribank: N.A., (Issuer Services), Reference Agent. CITIBANK

FUTURELINK The factors, most reliable, cost effective real-time FUTURES, FOREX and MEWS pervises available via FM within London, CALL HYETRON ON

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Focus on yen

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On Friday, the yen came under strong selling pressure against the dollar as dealers took the view that the authorities in Taken were approximately the control of ties in Tokyo were about to implement their third succes-

Last week, Mr Manas Kubota,

E IN NEW YORK

STERLING INDEX

1.8515-1.5620 1.5460 1.5800 0.37-0.38pm 1.08 1.03pm 1.08-1.03pm 3.22 3.12pm

Sep 10 Provious

Sep 16

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n China mon

7

Richard Water

THE FOCUS in currency markets will be on the Japanese yen this week, amid expectations that the authorities in Tokyo are on the verge of unveiling a package of measures to stimulate the economy, writes James Blitz.

On Friday, the yen came reduction of the trade surplus.

Mr Ian Gunner, an economist at Chass Manhattan bank in London, says the yen is likely to come under strong pressure this week — and he expects it to fall as low as Y110 in the next few weeks.

European dealers are likely to be preoccupied with developments in France and Germany.

Following last week's Bundesbank rate cut, there are sive fiscal boost to the economy, possibly cutting the official discount rate in the could take the opportunity to eass policy in their money market operations. However, UK clearing bank base landing rate
6 per cent
from January 26, 1993

The Mark to persist, and this may stay the
Bank of France's hand for a
white longer while longer.

Last week, Mr Manas Kubota, the Economic Planning Agency Minister, said that the prime minister wanted a one trillion yen package to improve the social infrastructure.

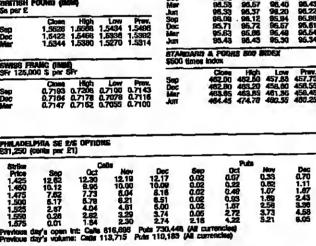
Another factor pushing the yen lower may have been reports that the Japaness foreign minister had said that Tokyo could set targets for the

75 0 000 1 000
75 0.9656 - 1.0000
85 1.5410 - 1.5420
820 95.7800 - 96.751
90 5.0676 - 5.6776
900 230 400 - 235,10
5.00 1583.00 - 7.7380

Sap 10	£	5
Argenthus	1.5466 - 1.5475	0.9995 - 1,0000
Australia	2.3885 - 2.3885 152 km - 169 894	1.5410 - 1.5420
Prient		96.7600 - 96.751
Greace	87639 - 8.8490 358,650 - 363,000	5.6676 - 5.6776 230.400 - 235.10
Horn Kong	11,0606 - 11,0716	
720	2439.00 - 2445.00	
Korne(Sys)	1236.40 - 1268.30	
Kunwait	0.46240 - 0.48330	
grandment	53.10 - 53.20	34.25 - 34.35
Malayala	3.9295 - 3.9386	25440 - 25460
Merden	4.8145 - 4.8176	3.1110 - 3.1130
ALZaeland	28065 - 28105	1.6135 - 1.6160
Singergore	5.7935 · 5.8055 2.4676 · 2.4735	3.7406 - 3.7505 1.5075 - 1.5065
SA CH.	8.2545 - 6.2680	3.4045 - 3.4000
S.A. Fra	7,4746 - 7,4900	4.8300 - 4.8400
Tabumi	41.60 - 41.78	28.90 - 27.00
UAE	5.6880 - 6.6895	3.6710 - 3.6736

		11000000	Singepore 1	4676 -	14796 1.8	075 - 1.5005
8.30 MI		81.5	SALCH	2545 - 6		045 - 3,4000
9.00		81,5	S.A Ft4	A746 · 7	7.4900 4.8	300 - 4.8400
10.00 20		61.5	Takent	41.60 - 4		.90 - 27.00
11.00 20		87.6	UAE!	1.6880 - 0	5.6895 3.6	710 - 3.6736
Noon	. \ <u>514</u>	81.5				
1.00 pm		51.4				
2.00 pm	. 513	01.5 87.4				
4.00 pm		81.6	CUP	REN	CY RA	TES
CHECK			Sep 10	Bank &	Special *	European †
CURRENCY	MOAF	MENIS		7	flights	Uce
	Bank of	Morges	U.S Dollar	3.00	0.815272	0.779278
Sep 16	Brightend	Cherry	Canadian S	410	1,42075	1,16979
	index	Changes %	Austrian Sch	5.76	16.1324	13.4631
Sterling	81.3	-28.27	Balgiani Flame	6.50	50,0140	40,0012
LE DO No.	64.3	13.30	Committee Committee	9.25	9.51405	7.90075
anadian Dollar	91.1	-10.92	O-Maris	1.75	2.25741	1.91184
watrien Schilling .	115.4	+17.77	Dutch Gullder	650	2,53560	3,14789
letelan Franc	112.2	-2.84	Franch France		A 05160	8.71821
Senioh Kroma,	111.5	+6.89	Anthon Chry	2.50	2203.82 146.676	128.843
-Mark	126.5	+34.25	Norway Mose	ا سے ا	10.0500	8.3545
wies Franc	116.4	+26.33	Special Parets	- 1	185.138	153.329
Auton Guilder Inner	120.9 106.0	+23.17	Breddeh Krune	11.50	11,3364	6.40150
Manch France	79.5	-36.31	Switz Franc	4.50	2,00004	1.67398
fen	179.0	+128.83	Grank Drach	10	N/A	278.117
eseta	88.0	-32.81	kini Pint	•	NA	0.822536
Margan Guera	nty change	s: everage	- Bank rate rat			
1980-1982-100, I Average 1985-100)	Bank of En	gland (Bass	† European Com * All SOR retres	alleda C	Indaham.	

_		MICHA	CIMI	YOUR T	
Starting U.S. Doll		81.3 64.3		8.27 3.30	
Consider	n Dollar	91.1	-1	0.92	
Augirlan	Schaling .	118.4	+1	7.77	
Donieh i	Grown	11 <u>2.2</u> 111.5		2.84 5.89	
D-Mark		126.5	+3	4.25	
Burens F	20C	116.4		5.33	
Duten 6	HERC	120.9		3.17 8.98	
Ura		79.5	-3	8.31	
Yen		179.0		B.83	
Peseta .		80.0		2.81	
Marg	982-100. E	aty cha	ngae: (tverage	
Average	1985-100	"Rates	na lot 8	0 8	
CHICA	LGO				
U.S. TRE	EASURY BO	NOS (CS)	1) 8%		
\$100,00	0 32nds of 1	100%	·		
	Close	121-20	LOW	Prev.	
Sep Dec	121-18 120-06	120-08		120-14	
Mar	118-31	118-31	117-16	117-29	
Jun	117-20	117-29	116-27	116-27	
Sep Dec	115-18	116-00	115-18 116-28	115-25	
Mar	115-24			114-26	
-June	115-09			114-05	
Sep	112-80 114-00		:	113-15	
	EABURY BIL	LS (INC.			
Strn pol	nts of 100%		<u> </u>		•
	Close	140h	96,98	Prev. 97,00	
Sep Dec	97.01 96.94	98.95	98,86	88,88	
Mor	96.81	96,81	98.71	96.73	
Jun	96.83	96.66	98.60	96.54	
BATTISH Sa per E	POUND (B	SMQ.			
der han E	Close	High	Low	Prev.	
Sap	1,5526	1.6568	1.5484	1.5496	
Desc	1.5422	1.5468	1.5336	1.5392	



Sep 10	Day's opmed	Close	One month	11	Three south	T.E.
ž	1.5420 - 1.5516	1,5465 - 1,5465	0.57-0.35cm	270	1,06-1.03esi	2.70
Carpade	2.0260 - 2.0400	2.0310 - 2.0320	0.20-0.20cms	1.42	0.51-8.47pm	1.00
ietherings,	2,7765 - 2,7960	2.7750 - 2.7850	(M-4/20)	-0.54	4-1206	0.5
Belghan	62.75 - 63.75	53.10 - 53.20	18-29cm	-542	5-73da	-1.65
Denman,	19.2150 - 10.2235	10.2150 - 10.2250	41g-51gorade	-585 1	117-13140	-4.84
1900	1.0645 - 1.0735	1,0000 - 1,0870	O.Do-O Decale	-0.84 T	0.17-0.23da	-0.7
CONTRACT IN	2.4725 - 2.4880	24725 - 24773	1 Landida	-0.01	7-1-00	-0.7
EQUIT	25125 - 253.55	252.50 - 253.00	102-114cda	-6.13	306-33706	-5.10
	197.60 - 200.45	200.15 - 200.25	67-80cds	-4.41	202-22404	42
viri	2383.50 - 2389.30	2363.50 - 2384.50	5-Mireda	-327	17-20ds	-3.10
		10.8150 - 10.6260	4-14-prode	-0.76	4-14-06	-8.3
mnee	8.8715 - 8.7495	6.8850 - 6.8950	4-13-04	-1.55	29 3 753	4.4
Sweden		12.1500 - 12.1900	13-23-0reds	-204	44.04	-1.51
Japan	184.20 - 155.00	164.00 - 165.00	12-34990	3.19	12-12-00	3.19
LINE	17.40 - 17.60	17.48 - 17.48	1-200034	-1.63	25 114	-07
artizations.		21550 - 21650	L- Trepin	1.04	d-lates	1.16
ECH	1,3065 - 1,3185	1.3100 - 1.3110	0.20-0.24cd4	-261	0.56-0.625a	-1,1

Sep 10	Day's acreed	Close	gus weets	11	Three markle	p.s.
K†	1.5420 - 1.5515	1.5485 - 1.5495	0.57-0.35cpm	2.79	1.05-1.03pm	2.7
- 100	1.4410 - 1.4550	1,4525 - 1,4535	0.47-0.44cpm	2.76	1.32-1.250m	3.5
	1.3120 - 1.3170	1.3140 - 1.3150	0.13-0.16de	-1.32	0.51-0.57da	-15
etterante.	1,7980 - 1,8080	1,7940 - 1,7950	0.49-0.52cda	-3.30	1.41-1.40dia	-32
D	34.15 - 34.70	H25 - H35	19.00 SLANESE	-7.52	60.00-60.00da	-6.6
- ANN	A.6050 - 6.8525	6.5950 - 6.8000	4.45-4.75crads	-4.27	12.00-13.000	-7.5
(1780)	1.6950 - 1.6095	1.5975 - 1.5965	8.49-9.50ctda	-172	1.36-1.35da	-24
	183.45 - 154.65 126.50 - 128.40	183.50 - 183.70	107-111 cde	-600	\$11-32668	7.71
·	1537.66 - 1552.25	128.06 - 128.16 1538.75 - 1539.26	75-75cda	-7.17 -6.63	221-226:fit 22.10-22.70da	-6.95
	6.0850 - 7.0330	1538.75 - 1539.25 6.8525 - 6.9675	7,45-7,75treda 1,75-1,95creda	312	5.70-6 50ds	-58 -30
2000	5.0000 - S.601D	5.8075 - 5.8125	1.95-2.10cds	135	5.20-5.70de	-3.5
	7.8450 - 7.9086	7.8450 - 7.8500	3.15-3.46mide	-40	8.60-4.20ds	-4.5
000	105.40 - 105.75	108.20 - 108.50	0.03-0.02	028	0.14-0 1250	0.4
ett	11,2580 - 11,3100	11,2050 - 11,2700	1.30-1.70crade	-373	8.30-19.60ds	-35
· tournessie	1.3040 - 1.4005	1.3840 - 1.3990	0.18-0.21004	-1.86	0.52-0.57de	-1.5
wf	1.1780 - 1.1886	1.1535 - 1.1845	0.47-0.45com	486	1.51-1.20pm	43

Sep 16	2		DAL	Yeo	F FL	& Pr.	KFL	Lies	CS	8 ft.	Pts.	
	1	1.549	2475	184.5	0.690	2.160	2,780	2384	2.032	53.15	200.2	1.31
	0.448	1	1.598	106.2	8.810	1.394	1,795	1530	1,312	34.31	129.2	8.54
Dec	0.404	0.625	. 1	86.46	3.511	0.873	1,123	683.2	0.821	21.47	80.89	0.53
YEN	5.079	2416	15.05	1000.	\$2.83	12,13	18.00	14492	1235	323.1	1217	7.87
P fk.	1.151	1.783	2.848	180.3	10.	2.484	3.199	274	2.390	51.16	230,4	1.50
S Fr.	0.485	0.717	1.148	78.10	4.023	1	1.287	1104	0.941	24,61	97,86	0.50
N FL	0.360	0.557	0.890	89,17	3.120	0,777	1	357.4	0.731	19.12	72.01	0.47
Lica	0.418	0.660	1.038	69,00	2.645	0.000	1.168	1000	0.852	22.29	85.06	0.55
C S	0.402	0.762	1.210	80.95	4.277	1.063	1.368	1173	1	25,10	G1.52	0.64
8 At.	1.881	2014	4.857	308.5	18.35	4.064	5.230	4485	3,823	100.	374.7	2.45
Pta	0.600	0.774	1.236	82.17	4.341	1.079	1.389	1191	1.015	28.55	100.	0.654
Eou	0.755	1.182	1.888	125.5	0.529	1,648	2.121	181B	1.550	40.54	152.7	1.
000	1.000£	Fracch	7. DW	i Line	ar 1.0	OC: Beld	too Fr.	oer 100	Penets	per 10	0.	
			-		,-						_	
fen per												_

	UNUT	UHLHEIM	CA Hall	HOEST	AIES	
Sap 10	Short 1979	7 Days notice	Gre Month	Three Months	Shr Marking	Que Year
Review 15 Delay - 20. Bolley	852 - 654 3 - 275 454 - 454 5 - 454 75 - 754 1034 - 674 201 - 275 1154 - 125 1054 - 125 1154 - 125 1154 - 125	34 - 24 - 24 - 24 - 24 - 24 - 24 - 24 -	は まる は は は は は は は は は は は は は は は は は は	512 344 55 44 57 12 5 10 10 10 10 10 10 10 10 10 10 10 10 10	######################################	54 - 53 54 - 54 54 - 54 54 - 54 55 - 54 56 - 5
ng tern Baudulace 43 ₆ per curt mode						
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#1 00 sm \$2	10) 3 m	onthe US doll	ers	6 mont	us Dollars	
(11500 mile 500)				H 34		34

	1	MONE	Y RAT	ES		
NEW YORK			Transury	Bills and B	onds	
4pm				2.74 The	od year	4.00
Prime rate	21	Shi founth One year	A	3.16 10- 3.16 30-	yes	5.29
,	-	I mo year -		2.70		
Sep 16	Oversight	One Messih	Two Martin	Three Martine	Str. Months	Louiserd
Sep 16	Overnight 7.00-7.25	One March 6.70-6.80	TWo	Three Months 6.50-6.60		7.26
Sep 16	Overnight 7.00-7.25	One Messih 6.70-8.80 7.20-7.45	Two Martin	Three Months 6.50-6.60 7.05-7.30	Months	britaryentilo
Sep 16	7:00-7:25 7:5-7:4 44-5 8:38-8:80	One March 6.70-6.80	Two Martin	Three Months 6.50-6.60	Months	7.26
Sep 16 Frankturt	7:00-7:25 7:5-7:4 44-5 8:38-8:80	One Marsh 6.70-6.80 7.20-7.45 434-434	Two Martin	Three Months 6.50-6.60 7.05-7.30 45-43	Months	7.26
Sep 16	7:00-7:25 7:00-7:25 7:2-7:4 444-5	One Marsh 6.70-6.80 7.20-7.45 434-434	Two Martin	Three Months 6.50-6.60 7.05-7.30 45-43	Months	7.26

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	2.7	272	\$42	
		700	272	- 27
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FT-ACTUARIES	WORLD	INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS			FRIDA	Y SEPTE	MBER 10	1993			<u>T</u>	UPSDAY	SEPTEM	BER 9 1	193		LAR IND	EX_
Figures in perentheses show number of lines of stock	US Dollar Index	% chg (5) since 51/12/92	Pound Starting Index	Yen Index	DM Index	Local Currency Index	Local W chg from 31/12/92	Gross Dtv. Yield	US Dollar Index	Pound Starling Index	Yan	DM Index	Local Currency Index	1983 High	1983 Low	jatobus: also Ama
Austrulia (69)	141.79	+13.3	135.71	95,23	117.80	145.38	+20.1	3.53	142.81	136.51	94.56	118.57	145.14	148.84	117.39	
Lustria (17)	175.67	+25.3	168,13	117.98	145.94	146.16	+24.5	1.33	175.12	167.39	115,96	145.46 125.01	129.03	156.78	131.19	
Belgium (42)	152.66	+14.6	146.12	102.52	126.83	129.13	+18.2	4.44	150.57 124.31	118.83	82.31	103.21	118.51	130,38	111.41	124.6
anada (107)	124,35	+7.5	119.02	83.51	103.30	118.38	+11.2	2.87	232.36	222.11	153.88	192.92	208.82	232.42	185.11	
Denmark (32)	231.73	+24.5	221.79	155.64	192.52	207.93 133.61	+30.9	1.09	111.55	106.63	73.87	92.82	133.09	118.58	65.50	54,0
Inland (23)	112.33	+61.4	107.51	75.45	93.32	149.12	+16.9	3.09	188.59	161.18	111.62	139.97	148.96	170.50	142.72	181.0
rance (97)	189,46	+15.1	162.19	119.80		105.34	+20.2	2.00	128.01	122.37	84.77	108.28	108.28	128.77	101.58	
Sermany (60)	126.79	+21.9	121.36	85,17	105.34		+38.1	3.32	301.46	288.18	199.60	250.30	299.44	302.14	218.82	228.1
lang Kang (55)	301.63	+36.1	288.70	202.58	250.60	299.64		3.34	189.83	162.34	112.45	141.00	165.14	173.08	129.28	
reland (14)	172.94	+27.4	165.53	118.15	143.68	167.71	+42.3	1.87	75.58	72.23	50.03	62.73	87.13	78.93	53.78	57.2
	75.74	+38.0	72.50	50.87	62,92	67.06	+26.9	0.79	158.96	151,94	105.25	131.99	105.25	185.91	100.75	110.3
taly (70)	156.67	+49.2	149.95	105.22	130.16	105.22		1.77	403.81	385.81	267.24	335,10	395.38	410.47	251.88	238.4
lepen (470)	397.84	+52.1	380.59	267.05	330.35	389.67	+48.0		1785.74	1587,86	1189,17	1456.06	6003.11	1771.58	1410.30	
/alaysia (69)	756.82	+6.5	1681.50	1179.92	1459.58	5977.58	+6.3		185.77	177.58	123.01	154.25	152.24	187.18	150.39	
	186.07	+22.9	178.09	124.97	164,59	152.40	+21.2	3.55	61.40	58.69	40.86	50.98	59.10	62.98	40.56	42.5
letherland (24)	61.17	+42.6	58.55	41.09	50.82	58.95	+33.0	3.79			111.69	140.08	180.50	177.81	137.71	142.5
lew Zealand (13)	172.87	+25.5	165.45	116.10	143.62	163.89	+26.6	1.61	168.68	161,24	190.89	239.35	212.89	290.53	207.04	181.5
iorway (22)	287,26	+34.6	274.94	182,93	238.65	211.54	+31.1	1.63	288.28	275.57		150.08	190.01	215.29	144.72	179.3
Singapore (38)	179.88	+21.5	172.18	120.81	149.44	190.09	+21.0	2.74	180.73	172.76	119.67			140.97		
South Africa (80)		+20.5	134.46	94.36	116.71	136.28	+34.7	4.18	140.97	134,75	93.34	117,04	138.19		115.23	136.2
pain (43)	140.49	+14.7	181.74	127.53	157.75	220.59	+27.3	1.53	180.53	182.13	126,16	158,20	222.05	196.23	149.70	
weden (36)	189.88		131.10	92.00	115.81	118 41	+15.3	1.83	137.58	131.51	91.10	114.24	118.41	138.04	108.91	114.3
witzerland (50)	138.97	+21.2	183.48	128.74	159.25	183,48	+8.7	3.89	191.65	183.20	126.89	159,11	183.20	191.70	162.00	179.5
Inited Kingdom (218)	191.70	+11.2	180.56	126,70	156.73	188.65	+5.9	2.72	186.96	178.70	128.79	155.23	186.95	189,40	175.38	171.0
ISA (520)	188.85	+5.9	100.30					0.60	159.12	152.10	105.38	132,12	145.91	159.19	133.92	144,4
	159.06	+16.9	152.24	106.83	132.15	145.66	+18.7	3.09		172.53	119.51	149.86	183.73	183.23	142.13	
Europe (748)		+21.7	172.70	121.19	148.91	183.17	+31.7	1.34	180.49			135,43	112.70	188.80	105.89	
lordic (113)	180.44	46.7	154.05	108.10	133.72	112.64	+27.5	1.05	163.11	155.92	108.01					114,4
acific Basin (714)	160.95	+33.0	153.20	107.49	132.97	128.27	+22.5	1,88	161.36	154.24	106.88	133,96	126.39	182.86	117.26	128.5
uro-Pacific (1462)	160.06		176.74	124.03	153,44	183.88	+8.1	2,72	183.08	174.98	121.22	152.01	182.30	185.59	171.51	158.1
torth America (627)	184.65	+6.0	132.62	93.00	115.14	123.88	+22.5	2.56	138.68	132.55	91,83	115.15	124.36	139.43	112.51	123.1
urope Ex, UK (530)	138.56	+21.1	194.80	136.57	168.93	189.91	+31.7	2.99	204.32	195.31	135.31	169,66	190.36	205.61	152.70	
acific Ex. Japan (244)	203.32	+30.5		107.50	132.97	128.22	+22.1	1.91	161,29	154,16	106.81	133,92	128,35	162.89	118.51	127,5
Vorto Ex. US (1848)	160,04	+31.8	153.18		138.21	143.29	+16.1	2.03	188.62	159.27	110.33	138,36	142.88	168.50	134.22	137,7
ADM Er os (1040)-m-m	166,34	+21.9	159.21	111.72	140.10	148.53	+15.3	2.21	168.88	161.43	111.83	140.23	145.13	170.43	137.29	141.1
Vorted Ex. UK (1950)	168.63	+20.7	181.40	113.26		170.37	+11.1	2,85	176.12	168.35	115.63	148.25	189.68	177.11	157.A7	159.1
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1293		1319.96	1063.02	1319.96	900.46
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T-A All-Share	1511.39	1508.51	1509.36	1511.38	1519.21	1618.59	1537.57	1086.13	1537,57	61.92
T-SE Burotrack 100	1283.72	1265.95	1266.53	1277.38	1284.10	1293,50	1319.96	1063.02	1319.96	900.45
T-SE Burotruck 200	1355.84	1382.52	1363.68	1365.81	1371.90	1384.27	1397.58	1144.79	1397.88	938.62
T Ordinary	2365.3	2366.7	2372.6	2379.7	2396.8	2390.7	2414.2	2124.7	2414.2	49.4
T Government Secs.	102.54	102.64	102.89	102.47	101.85	102.02	102 B4	93.26	127.40	49.18
	124.94	125.04	124.B6	124.51	124.14	124.67	125.20	108.67	125.20	60.53
Y Fitted Interest	159.7	155.1	149.3	170.0	177.2	178.3	249.2	60.0	734.7	43.5
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15 4 pc 1983\$\$ 187 2	-2 1,085 MyZJ MyZJ -1 2,100 Au3 Fe8	16.4 1304 To 28.8 4571 Fee	es 11 20t 2007-4	1253pd 0.3	1,620 Su 19 Mr19	13.8 1290	Trens. 20c '946	(b) 102.9) 1951, 0.1 (67.9) 19912-0 0.1 185.0) 110-1 0.2	500 NV10 MV10	13.4 5070
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ANZBank Australia and New Zealand

Banking Group Limited Australian Company Number 005 357 522 (Incorporated with limited liability in the State of Victoria, Australia)

U.S. \$200,000,000

Floating Rate Notes due 1994

Notice is hereby given that for the Interest Period 10th September, 1993 to 10th December, 1993 the Notes will carry a Rate of Interest of 3.4375 per cent. per annum with an Amount of Interest of U.S. \$86.89 per U.S. \$10,000 Note. The relevant Interest Payment Date will be 10th December, 1993.

Bankers Trust Company, London

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MONDAY INTERVIEW

Designs on the detractors

Francis Duffy, president of the Royal Institute of British Architects, speaks to Lucy Kellaway

rchitects have never had it so bad. The recession has put a third of them out of work. Clients have become more demanding in terms of both service and price. The construction industry has hijacked some of their traditional functions. The public, from Prince Charles down. has found good sport in ridiculing their work.

The government has now joined the battle: not only is it threatening to cut funding for architecture courses, it is considering tampering with the profession's very name. In February it published a proposal that would allow anyone to call himself or herself an architect, no matter how poorly trained or inexperienced.

The profession is in dire need of a champion. Francis Duffy, chairman of architectural firm DEGW, has taken on that role following his appointment as president of the Royal Institute of British Architects. Duffy will get a chance to fight for his fellow architects on Friday, when he attends a meeting in Brusseis of the Architects Council of Europe to discuss the future of the profession over the next 20 years.

Initially, he might seem an unlikely champion for the pro-fession. He has seldom huilt anything, and has made his name as a theorist in the obscure area of space management in office huildings. Yet his very distance may be an asset: Duffy is going to be judged on his ability to convince the outside world that, as he puts it, "design matters and professionalism matters".

The task is daunting. On one side is "this wretched government and this deal-saturated, unthinking, cheapo culture". On the other are "these poor. kicked-around, disappointed architects". He must find a way of convincing the first of the worth of the second.

Speaking in his stylishly functional King's Cross office a few days before his appointment, Duffy leaves no doubt as to his commitment to the cause. "I don't want to sound as if I'm whingeing, as 1 am extremely aggressive and outgoing. But I am steamed up about the ways in which we are being kicked around," he says. His delivery is soft, rapid

and uniform in tone. Being steamed up is not enough. He must demonstrate that the title of architect

serves legal protection. "Would you applaud deregis-tration in medicine?" he asks. Yet architects are not like doctors, who need medical qualifications in order to practise. By contrast, there is no law to prevent anyone from designing buildings, yet under legislation from the 1930s only those with Riba-approved training can use the name architect.

Duffy experiments with another analogy: "Take a bot-tle of champagne. It gets that name not from a chemical analysis of its contents, but the process by which it is made." Likewise, he argues, the name "architect" is "an important consumer marker. It has a built-in assumption of competence that relates to the training and experience."

But is he right to put so much into this fight over a name? Duffy starts to get cross. "God knows I'm not doing this for fun," he says.

Surely architects could follow accountants, and call themselves chartered architects if they had the qualifications approved of by the Riba? Duffy pulls a face.

"I think of Blake: I wander thro' each charter'd street/Near where the charter'd Thames does flow And mark in every face I meet Marks of weakness, marks of 100e. A thing is a thing. I don't want a qualifier. It's my name.

Displaying an almost touching optimism, Duffy seems confident that architects will win this battle. "There is a resonance. It's quite widespread."

in any case, he says, the argument is not just about a name. It is a symbol of the need for a debate about the future of design. Partly thanks to Prince Charles, a public debate is under way, yet according to Duffy its sub-stance is banal. "I like this, you like that, you're a fool - it does not strike me as an elevated discussion.

Getting an intelligent debate going may not be easy. Public enemy number one is the government. A close second is what Duffy calls "the supply side", which means the construction and property companies. He argues that the pre-vailing supply-side mentality is to get things built as quickly as possible to ensure instant



These kicked-around, disappointed architects

"Many on the supply side say that design is a luxury, that you need one Richard Rogers a century. That devalues

On his list of villains, architects themselves do not escape without a mention. He argues that most have got too far from their clients, and many are inclined to dwell on past glories rather than defining a new mission. He admits that the profession is "an economic failure". He diagnoses a "lack of commercial nous".

PERSONAL FILE

1940 Born in north of England. 1967-70 Harkness Fellow of the Commonwealth Fund. 1973 Co-founded DEGW part-

1989 DEGW incorporated, with Duffy as chairman. 1992 The Changing Workplace

1993 The Responsible Work-place published. President of the Royal Institute of British Architects.

But how have architects persisted in these uncommercial ways when other professions have been forced to come to terms with market-mad Britain? Duffy replies: have not recovered from the trauma of having been so important in the 1950s and 1960s as handmaidens of the welfare state. Until the 1970s architects working for commerce were despised. We haven't found a comparable commercial apparatus to get us into the 1980s and 1990s."

Last year Duffy chaired a Riba committee which set out to find a new strategic direction for the profession. Its conclusions were not dissimilar to those reached by many under-performing British companies over the past decade: architects must get closer to their clients, and understand better what they want. They must strengthen their hold over their central function - design - and should also hranch out into other design and management-based services.

"If we know what our mission is, we should feel no threat," he says. Architecture is "knowledge about invention, design and understanding patterns of use" Above all, it is about defin-

ing the future. On this subject. Duffy gets carried away. "We ought to he thinking about what Britain is doing in 700 years," he says. In office design, the area

which he has made his own, Duffy is looking further ahead than most, even if be is not quite building offices for the vear 2693. He believes that the nature

of work, and the shape of organisations are undergoing their most important change in 100 years. Office huildings, which he says have not changed much since Frank Lloyd Wright designed the office towers in Chicago at the beginning of the century, must be rethought too.

Under the old corporate hiereach worker was a reflection of how important they were. The oew flat organisational structures, with their team-working and flexi-time, call for a complele redesign of office space. Duffy argues that, unless buildings change, companies may find their plans to change their organisations frustrated.

Enthused, he talks of offices at IBM, Digital and Arthur Andersen, where the basic unit of design is not the individual but the group, in which no ooe has his or her own space. It might be cheaper but is It really better? Don't people

need to have their own desks? He looks exasperated. "These are conventions," he says. "It's like the club, library or dining room. The space is yours, it

belongs to you collectively."

Duffy then gestures around his own office. "We have no enclosed offices. We have a street. The coffee place is designed so that people will hump into each other." On inspection, the "street"

turns out to be an aisle separ. ating two lines of architects' desks. Challenged, he agrees that the metaphor is a little far fetched. "We are having to invent," he says. "For once the physical concept is ahead of

Street or not, he may find his own offices more congenial than the splendid Riba build-ing in London's Portland Place. Ironically, it is just the sort of huilding in which he argues change is impossible - a large open space in the middle and a whole number of little offices scattered round the sides.

Educational dawn. in California

alifornia has a habit of anticipating the future. In 1978, the success of Proposi tion 13, an initiative demanding lower property taxes, set off a global movement towards lower tax rates. In a state-wide hallot or November 2, Califor nian voters will be asked to pass judgment on Proposition 174, an educational initiative of comparable importance.

Market-oriented reformers have long queried the public sector's near monopoly of education. The issue is not the need for public subsidies for elementary and secondary edncation (that is axiomatic) but whether governments should own schools and employ teachers. In theory, the education budget could be turned over to families in the form of "school vouchers." Parents would spend the vouchers at privately-run schools of their choice. The educational world would then reap all the natural benefits of competition - startling technical innovations, remarkable cost efficiency and a variety of teaching methods.

Proposition 174, the Parental Choice in Education Initiative, would turn this theory into practice. It says all parents should be given tax-exempt vouchers, redeemable et pri-vate schools for about \$2,600 (£1,730) (roughly half California's per pupil annual expenditure on education) or at existing public-sector schools, for the full \$5,200.

Several states have experimented with the kind of reforms introduced in Britain. which offer limited parental choice within the public sector. But, barring a small experiment in Milwaukee, none has contemplated giving parents vouchers redeemable in private schools. That California is even considering breaking this taboo is a reflection of the intense strains posed by the explosive growth of its school-age population. On some estimates, the state will need to open a new 600-pupil school every day for the next 10 years.

Californians, of course, also share national concerns about the low quality of public-sector



AMERICA

schools, despite a 29 per cent increase in inflation-adjusted spending per pupil since 1983 and a decade of non-stop education "reform". Last week, the US Education Department released a report indicating that nearly half of all adults lack elementary skills in reading, writing and arithmetic.
The likely effects of Proposi-

tion 174 are hotly debated. Opponents, led by the finan-cially powerful teachers' unions, say it would bankrupt the public-school system. Taxpavers would have to fork out \$2,600 for every student that left for the private sector, at the margin, however, savings would fall far short of this because of the high level of overheads (for example the cost of buildings and redundancy pay for obsolete teachers). Meanwhile, parents of students already educated privately would receive an unnecessary subsidy that would only inflate fees in the private sactor. The gap between haves and have nots

would widen. Supporters dismiss such fears. Provided the number of students leaving the public sector substantially exceeds the 10 per cent or so already educated privately, the initiative ought to save money. This is because the proposed subsidy for each privately educated pupil is only half the current cost of education in the public sector. Since budgetary woes preclude a rapid expansion of public-sector education, financial incentives to promote new private schools are exactly the right response to current demographic pressures. The injection of real competition into a

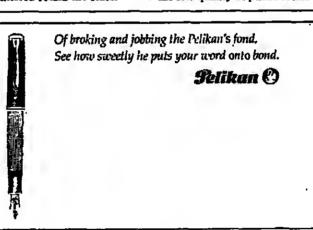
system that has failed, say enthusiasts, cannot help but improve educational standards Will Proposition 174 succeed? Close observers of the Californian political scene, such as Mr Bruce Cain of the Institute for Government Studies at. Berkeley, are doubtful. He says Proposition 13 succeeded because people expected it to bring immediate benefits lower taxes. The impact of Proposition 174 is far harder to gauge: nobody knows how many students might shift out of the public sector or what thie might do to public finances; the only clear beneficiaries are parents already paying for private schools. Given the complexities, he says, voters are likely to take their lead from the public figures who line up for and against the proposition. The danger is that will become too closely iden tified with right-wingers and religious fundamentalists - lia bilities in a state that returned two liberal Democratic sens-

tors in last year's election. Even if Proposition 174 fails it will force many people to think seriously about the merits of vouchers. In the affluent late 20th century why should the average family expect tax-payers to bear all the cost of

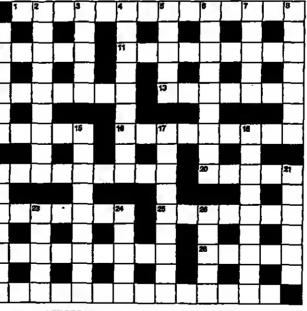
It is no use complaining that education is "different" because much is already provided commercially, for exampie through book publication and television documentaries. Nor can privatised education be rejected as unfair: every school system is already unjust because the best schools are invariably located in the richest areas. The issue is not fairness hut whether the normal action of market forces should be permitted to improve the average quality of schools, thus benefiting even the poorest children.

With luck Proposition 174 might even embarrass Messrs Clinton and Gore. In spite of the hype about "reinventing government" they are reluctant in the face of union opposition even to promote increased parental choice in the public sector.

JOTTER PAD



CROSSWORD No.8,252 Set by DANTE



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- craft (9)
 18 He probably gets pleasure from his craft (9)
 19 Agreed it's of small account
- and gave in (7)
 21 Show rank subservience? (6)
 23 Sees a new way, relaxes (5)
 24 Snappy sort of finish (5)
 26 It's true the head of the monarchy has it (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 25.

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Europe's flights of fantasy n the 18 months since sig-nature, the Maastricht Treaty has had such a sand-bagging from events in the real world, that it is hard to see how it can be made to work without a far-reaching re-think. Unfortunately, no-one is offering that.

The unresolved crisis in the exchange rate mechanism is, of course, the most immediate item on the European Community's emergency agenda, because it appears to threaten the objective of economic and monetary union, centre-piece of Maastricht. The crisis does not prove the arguments of those who say that the Emu objective is in any case ill-advised, unnecessary and unattainable. But it shows that the system was politically under-engineered, because the member states were unprepared to navigate through a heavy spec-ulative upheaval. Chancellor Helmut Kohl seems unsure whether Maastricht'e timetable should now be lengthened, or indeed shortened; but neither alternative is allowed for in the

treaty.
But the ERM crisis is a political, not a technical problem. Experts may disagree over how, or indeed whether, to revise the details of the EMU programme. But the basic problem is that there is no political consensus on the objective of monetary union. When Maastricht was negoti ated, the UK wanted the right to opt out; after two currency crises, Britisb ambivalenca seems to have been replaced hy hostility. It is difficult to believe in the possibility of a renegotiated Emu programme, without political agreement on the final objective.



on EUROPE

Political dissent over the objective of Emu is symptomatic of widespread ambivalence over the objectives of Maas-tricht. It showed up vividly in the Danish and French ratification debates, as well as to opinion polls in other countries, hut nowhere as deeply or as intensely as in Britain.

This amhivalence is starkest over Europe's foreign policy. One way or another, the member states will be compelled to resolve the EMU crisis, hecause non-solution will become intolerable: economic actors will not long accept instability and incompetence. But there can be no mechanical solution to the foreign policy quandary; every decision is a deliberate act of will, a reflection of fundamental political preferences. In Bosnia, France and Britain have worked closely together, but Maas-tricht maximises the procedural obstacles to multilateral co-operation, and in practice the policy of the Co towards ex-Yugoslavia has been catastrophic in its weak-ness and vacillation.

In a sensible world, member states would now conduct a thorough review of the treaty, as drafted, to see if it can be

made to work better. So far, there seems to be a eerious mis-match between what Maastricht appears to promise, and what the member states are really committed to deliver. Is this mainly the result of British hostility to the whole enterprise? Or is it also the result of ambivalence in other member states? These questions need to be confronted.

But it seems the member states find these questions too disagreeable and prefer flight into make-believe. In Lisbon, and again in Edinburgh, they agreed to early membership negotiations with the four applicants from Efta; in Copenigen this June they brought forward prospects of membership for east European countries, and others. According to one interpreta-

tion* the Community is now committed to an enlargement to 20 or 30 members within the next decade or so. Now there may be a politico-moral case, for the Community eventually to take in liherated eastern Europe. But does it make practical sense, on the basis of a treaty of European union which is not workable as written, and which does not appear to reflect a genuine political bargain by the member states? It is hard to imagine a recipe for greater political iunacy.

The Community cannot expand from 12 to 25 states without completely changing in character. There are four sibilities: accelerated federalism, with a vast increase in central powers; a multi-speed Europe, with overlapping membership circles; a comprehensive renegotiation of all existing Community policies; or the disintegration of all

common policy-making pow-ers. None of these options is discussed; instead, it is assumed that the Community will be the same but much bigger; which is nonsense First, the Common Agricul-

tural Policy could not be applied in eastern Europe, as it would mean a dizzying explosion both in the Community budget and in farm output. Second. GNP per head in stern Europe is one-tenth of

that in western Europe. A

Community with such dispari-

ties must mean a Europe which was hrutally laissezfaire or one which was both federal and heavily centralised. Existing Community policy should mean a vast expansion in the regional and other structural funds. But the conven-tional wisdom is that the Europe of nation states could not tolerate even a moderate amount of central hudgeting and central authority. The conventional wisdom needs to find an answer to the fact that, even if the east grew by as much as 5 percentage points a

year faster than the west, it would still take 48 years to catch up. There are no simple solutions to any of these problems. The only solutions we know will not work, are those which pretend that Maastricht is fine as it stands. If the Community expands to 25 states, it will need considerable political sur-gery, and perhaps a political civil war. But governments prefer fantasy.

*Beyond Maastricht; Recasting the European Political and Eco nomic System, by Peter Ludlow Centre for European Policy Studies, 33 rue Ducale, Brussels.